

1961

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IN THE COURT OF THE TRANSPORT TRIBUNAL

TRANSPORT ACT, 1947, AS AMENDED BY TRANSPORT ACT, 1953

IN THE MATTER OF THE APPLICATION OF THE
BRITISH TRANSPORT COMMISSION (1960 No. 2)

FOR THE ALTERATION OF THE
BRITISH TRANSPORT COMMISSION (PASSENGER)
CHARGES SCHEME, 1959

AND

IN THE MATTER OF THE APPLICATION OF THE
BRITISH TRANSPORT COMMISSION (1960 No. 5)

FOR THE ALTERATION OF THE
BRITISH TRANSPORT COMMISSION (PASSENGER)
CHARGES SCHEME, 1959

FRIDAY, 3rd MARCH, 1961

TWELFTH DAY



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PROCEEDINGS OF THE TRANSPORT TRIBUNAL

FRIDAY, 3rd MARCH, 1961

PRESENT:

SIR HUBERT HULL, C.B.E. (President)

J. C. POOLE, Esq., C.B.E., M.C.

H. H. PHILLIPS, Esq., O.B.E.

Mr. E. STEWART FAY, Q.C., and Mr. T. R. CRAWFORD (instructed by Mr. M. H. B. Gilmour, Chief Solicitor to the British Transport Commission) appeared on behalf of the British Transport Commission.

Mr. R. W. GOFF, Q.C., Mr. LEON MACLAREN and Mr. GEORGE MERCER (instructed by Mr. J. G. Barr, Solicitor to the London County Council) appeared on behalf of the London County Council, Middlesex County Council and the Surrey County Council.

Mr. LEON MACLAREN (instructed by Mr. G. E. Smith) appeared on behalf of the County Borough Councils of West Ham, East Ham and Croydon, and the Borough Councils of Walthamstow and Leyton.

Mr. S. H. NOAKES (instructed by Mr. W. O. Dodd) appeared on behalf of the County Borough Councils of Brighton, Eastbourne and Hastings.

Mr. G. B. H. CURRIE, M.P. (instructed by Mr. W. P. W. Elwell) appeared on behalf of the Folkestone and Kent Coast Railway Travellers' Association and the North East Kent Railway Travellers' Association.

Mr. E. R. FARR, Town Clerk, appeared on behalf of Barking Borough Council and the South Essex Traffic Advisory Committee.

Mr. PHILIP M. VINE, Deputy Town Clerk, appeared on behalf of the County Borough Council of Southend-on-Sea.

Mr. C. W. WINNICOTT, represented the Bishop's Stortford Season Ticket Holders' Association.

Mr. F. A. RULER, represented the Federation of Residents' Associations in the County of Kent.

Mr. CHARLES SARSON, represented the Chelmsford Railway Users Association.

(Mr. Goff): May it please you, Sir; when the Tribunal adjourned yesterday you had asked me whether I agreed with, or accepted, the proposition that London Transport should have a reserve, and I had said that the answer to that question would be a qualified one.

The position, in our submission, Sir, is that there is no statutory obligation to have a reserve from London Transport. There was a statutory obligation imposed on the Commission as a whole by Section 42 of the 1947 Act; it is unable to discharge that obligation, and its inability to do so is recognised tacitly in the 1957 Act, which provides for its carrying its accumulated deficit to the Special Account, but that does not alter the statutory obligation and make it an obligation on parts of the Commission's undertaking to provide a reserve.

Therefore, in our submission, there is no statutory obligation; it is merely a matter of commercial expediency, and as to that we say, as Mr. Hill said in evidence, that it should have a reasonable working surplus, which we put at not less than £1.0m., and at not more than £1.5m.

(President): But that view would have the curious result, would it not, Mr. Goff, that the Commission as a whole, so far as the law is concerned, is under an obligation, taking one year with another, to pay its way and to build up a reserve; you agree with me so far?

(Mr. Goff): If you please, Sir.

(President): But what you are saying in the case of the London Transport Executive is that it ought not to be treated as if it were under the same obligation?

(Mr. Goff): Certainly it is not an obligation, Sir.

(President): If that be true of London Transport, it would also be true of other separate activities of the Commission?

(Mr. Goff): Yes, Sir.

(President): And if one were to treat London Transport and each of the separate activities on that basis, the obligation with regard to the Commission as a Commission disappears?

(Mr. Goff): No, Sir, with respect, because if each part, of a whole, was in a position to build up a reserve, the

obligation would have to be discharged; it is the Commission's obligation and not the obligation of the body, whatever it may be, which is managing the separate parts. If, as to the Commission as a whole, a reserve can be established, then that ought to be, and it is, a statutory duty to establish it, and it should be established, but if as a whole it is impossible, and the obligation cannot be performed, in our submission, it cannot then be said that the separate parts ought to do the best they can to contribute towards discharging the statutory obligation.

(President): But happily we have not to deal with all the separate activities; we have only to deal with three of them, I think. What you are saying, Mr. Goff, is surely that at the present moment if we were dealing with all the separate activities, in the case of each of them on enquiry it would be an answer to the Commission saying: Give us a charge which will enable us to build up a reserve, to say: No, do not do that; the Commission as a whole cannot build up a reserve, so you ought not to be under any obligation to assist them?

(Mr. Goff): But with respect, Sir, you cannot make a different Act; all you can say is whether the statutory obligation is one which is capable of fulfilment. It does not follow from that that it may not be right, taking the undertaking and considering it separately, to make a decision that it should have a working reserve; but it cannot be approached on the footing that it must provide a reserve as a matter of statutory obligation.

(President): Obviously it is under no statutory obligation; that is only on the Commission as a whole.

(Mr. Goff): Then it is simply a question of what is right for the separate part to do, considered as a separate part, and not in the light of any predisposed view that you have to provide a reserve if you can.

(President): Are you saying that in no circumstances, however prosperous one of the separate activities may be, ought it to assist the less prosperous activities?

(Mr. Goff): Whether it should assist the less prosperous activities or not is another matter, with respect. It could not assist the less prosperous activity if the result of that is to do something which is commercially unsound. If

3 March, 1961]

[Continued]

providing a reserve to help others is in fact losing custom, then we submit that that is what they ought not to do.

(President): When you say that, you mean losing more custom than it gains in money by the extra charges?

(Mr. Goff): I mean, losing custom merely for the purpose of assisting less prosperous branches of the organisation.

That being so, Sir, the answer is that we say, as Mr. Hill said in evidence, that the surplus that should be aimed at in the circumstances of this case, taking into consideration the fact that it has been necessary to have two increases in quick succession and now to come up for a third, the proper thing to do is to have a working surplus of the order which Mr. Hill suggested for the purpose that he explained to the Tribunal; that is to say, for covering seasonal changes and also for covering the interval which elapses should it be necessary to make a further Application to the Tribunal.

(President): But the more you stress the undesirability of having three successive changes in 12 months, or whatever it is, the more desirable it is in my mind that any change we make now should be sufficient to prevent any further changes in the next 12 months.

(Mr. Goff): With respect, Sir, that would involve considering what may happen in the future in the way of increased wages and costs, which is coming into the realm of speculation.

(President): We are accustomed to doing that, Mr. Goff.

(Mr. Goff): If you please, Sir, but it would involve re-casting the proposals and bringing in entirely fresh proposals, as I think was done on another occasion, so that they could be considered, and it would involve a reserve which, to avoid coming back to the Tribunal for a further increase, would be inordinately large.

(President): But the speculation would have to be based on something, Mr. Goff.

(Mr. Goff): Yes, Sir, and our submission is that in those circumstances we should have to adjourn, in order to consider entirely fresh figures.

(President): We have done it in the past, but I do not think we are bound, if we come to the conclusion that we do not accept either the Commission's figures or the Objectors' figures, to re-open the Inquiry.

(Mr. Goff): I think with respect that if this were tested elsewhere, one would have to have a basis of figures on which the decision of the Tribunal was based.

(President): But we are entitled by statute in this Inquiry to change other Schemes, are we not? I am thinking of Section 23, sub-section (7), of the 1953 Act.

(Mr. Goff): I respectfully agree, Sir, but my submission is that that power could not properly be exercised without a re-casting of the figures so that one could see upon what the decision was based, both for the purposes of testing, with respect, its propriety and for the purpose of taking it elsewhere if the Objectors were so advised.

(President): But can you test it elsewhere on the question of fact? I think not; I have never heard it suggested that you can.

(Mr. Goff): No, Sir; I think one may be limited to an appeal on the law, but I think it is right to say that if there were no figures upon which that conclusion was based, one could appeal as a point of law, that there was no evidence in support of the conclusion. That would be a point of law; it has been so held on appeals from the County Courts.

(President): Yes. However, I think we have now got to the end of any useful discussion on this; if we have to make inferences, we have to make them on fact, and if we make an inference which is not an impossible inference, that inference is a question of fact.

(Mr. Goff): That may have to be argued elsewhere, Sir, but my submission on that is simply that it would not be practicable to provide an increase here of sufficient order to prevent a return; secondly, it would be undesirable

because it would be based on speculation as to future charges; and thirdly it could not be done without a re-casting of the figures, which one would have to have an opportunity to consider. Having said that, perhaps I can leave the matter there.

When the Court adjourned yesterday, subject to the point you raised—

(President): It is almost impossible for us to come to a conclusion without a considerable degree of speculation, and the only useful year we can deal with is really 1962. Whatever may be the result of this Application, it cannot bring into force as a permanent alteration new charges before the end of April, so it is 1962 that is the first year that we can provide for sufficiently.

(Mr. Goff): The first full effective year, yes.

(President): Yes, and what is going to happen to the Commission in the year 1962 is anybody's guess.

(Mr. Goff): A certain amount of speculation is therefore essential, but the Application has been based on a future year, and those are the only figures upon which one can work. In our submission, one should not get further into the realms of speculation than is inevitable, and one should test the matter on the figures which have been put before the Tribunal.

(President): Do you mean that there should be a review of the Charges Scheme every 12 months, Mr. Goff?

(Mr. Goff): Not necessarily, Sir; the rapid succession of increases here was due to the fact that one had two large wage increases close together, but it does not follow that that will happen again, or if it does, to what extent it will happen.

(President): Well, I rather choose to avoid the discussion of wage increases, but there has been a large number, has there not?

(Mr. Goff): There has, Sir, but whether there will be more, when they would come and to what extent they will go, is so much of an uncertainty that with respect one could not say that it would involve a return to the Tribunal with any given frequency or at any given time; and it must be borne in mind that this is the proposition which the Transport Commission has seen fit to present as representing their requirements, and subject to testing whether that is accurate, in our submission it should be taken to be their requirements, and one should not say: "You ought to have more".

(President): And that is precisely what we are proposing to do, subject to its being tested as being accurate.

(Mr. Goff): Subject to the yield on which they have based it having been correctly estimated, and subject to the charges they have attributed to London being correctly estimated.

(President): Surely the doubt is the extent of their need?

(Mr. Goff): That is for them to judge, I submit, upon the figures that they have worked on, which may be shown to be wrong figures. Subject to that, in our submission they are the best judges as to the extent of their need, and they are saying that this is what they need. I craved aid what you, Sir, said to my learned friend yesterday, when you asked: "Is the Tribunal to say that it knows better how to run the railway than does the Commission?" They have come and said: "This is our need", and that is tested in this way, that if you have understated your revenue, or overcharged London, it ought to be adjusted accordingly, and also, of course, you have to consider the effect on the public. But you have not to say that the need is greater than it has been suggested to be.

(President): We said last time that their need was an average over the two years of about £2.5m.; this time we will give them for one year a surplus of, what is it—£2.1m?

(Mr. Goff): Yes, but circumstances have changed since you said you thought that was their need; they have changed because they have had to face much greater increases in charges and costs; it may well be that their

3 March, 1961]

[Continued

need now should be less, because it should be tempered by the difficulties which they face.

Then, Sir, perhaps I might now turn to the position—

(President): I am sorry to have diverted you and broken the thread of your discourse, Mr. Goff.

(Mr. Goff): You are perfectly entitled to do that, Sir, and it was perfectly right and proper that you should put to me what was in your mind, but I think I have properly answered that as usefully and as fully as could be done, and I shall now proceed with the argument.

(President): You appreciate, of course, that all I have said should be treated as merely *arguendo*; the only object of the Inquiries is to have a passage of thought of all sorts backwards and forwards.

(Mr. Goff): If you please, Sir, I was not being critical of the Tribunal when I said that I would now proceed with the argument; I was grateful to you for indicating to me what was in your mind. I have now made my submissions on that, and I think it would be wasting the time of the Tribunal if I did not now pass on to what we were considering before.

I had said that we had put forward the global method as our prime method, just as they did, and that we put forward our specific approach tables merely as an answer to their specific approach tables which they put forward as a subsidiary test.

(President): That is what you put forward, but Mr. Hill said of his specific approach that it was slightly less accurate.

(Mr. Goff): Yes, indeed, Sir, but more accurate than their specific approach.

(President): Yes, I agree.

(Mr. Goff): The point between us on the global method quite shortly is that their global method is in truth a guess; it is a guess based upon the exercise of judgment, but it is none the less a guess, whereas ours is a mathematical calculation and therefore ought to be preferred.

(President): Yes; I wanted to ask you about your mathematical computation at some time.

(Mr. Goff): If you please, Sir.

If you would look at the evidence which Mr. Winchester gave on page 19 of Day 2, column 1, at about the middle of the column, you will see this: "Finally, a rather different matter I want to ask you about which concerns London Transport. Firstly, Central Charges: How are the Commission approaching the problem of Central Charges at this Inquiry? (A) Well, I think Mr. Evershed will explain in a little more detail that the figures we have arrived at for our own purposes and used for the purposes of this Inquiry have been done by proceeding from the £6m., or thereabouts, which we think was inherent in the Tribunal's decision on the 1959 Scheme and adjusting that for any known or expected changes", and then he says that the only ones of any substance of which they are aware that are likely to affect the year 1961 are changes in volume of investment and capital expenditure. We proceed, therefore, on a figure of £6m., or thereabouts, which on their thinking was inherent in the Tribunal's decision on the 1959 Scheme.

Then perhaps you would turn to Day 5, when Mr. Evershed was giving evidence; at page 80, Question 508, he was asked: "If you go back to 1953, was that not the figure about which Sir Reginald Wilson said that you tried several tests? The tests were: Gross receipts, book value of the fixed assets, the number of people employed, and tests of that description?" and the answer was: "Yes".

Then: "And they produced comparable percentages and you adopted 10½ per cent. as a result of that? (A) No, Mr. Goff; we have never adopted 10½ per cent. and used it as a means of calculating Central Charges. We have calculated Central Charges by the exercise of judgment and reached a figure which works out at 10½ per cent.", and then I said: "It is an exercise of judgment; it is not a mathematical calculation, is it?" and Mr. Evershed said: "Certainly not".

Mr. Evershed agreed on the next page, page 81, that Mr. Hill's method was probably a more satisfactory test; at Question 531 he was asked: "Would you agree it is a less satisfactory test than the calculation which Mr. Hill put forward, where he calculated an apportionment based on comparison of capital invested?" and he said: "I think probably the latter is a more satisfactory test".

Then at Question 536: "We will discuss in one moment the errors in it, but as a method would you agree that it would be more satisfactory to do it in this way than to apply any of the tests by which you tested your judgment? (A) I think this type of test probably produces the more nearly correct answer".

There we have it, Sir, that their calculation was based on judgment, and they concede, subject to the fact that they challenge this on certain of the workings out, that our method probably gave the more satisfactory result.

(Mr. Poole): It is a fact, is it not, that the test which was made, that you adopted, of the capital invested, was one of the test that Sir Reginald Wilson used?

(Mr. Goff): No, Sir; the test there was on the fixed assets and not on the capital invested. That was the one that approached nearest to our test.

(Mr. Poole): I see; that is the difference between the two?

(Mr. Goff): Yes, Sir.

Then his objections were first the omission of current assets and liabilities; I do not think I need to read the passage, but if you desire to take the reference, it is Questions 538 to 540; and you will remember that Mr. Hill showed that that only made a slight difference, and what there was would reduce London's share; he dealt with that at Question 2305 in Day 8.

(President): And he dealt with Table SWH 10, did he not?

(Mr. Goff): Yes, Sir; if you have that table in front of you, I do not know whether I need read the question.

(President): Yes; the difference is whether it is 8.58 or 8.51 in his table.

(Mr. Goff): Yes, that is right, so I do not think I need read the passage there. The Tribunal is well aware how that matter developed, and one has it in a convenient form in Table SWH 10.

Then there were criticisms of lines 9 to 13 of Table SWH 1, the table being the table in which Mr. Hill set out the total capital assets of the Commission and of London Transport for the purpose of finding the proportion. Tables SWH 1 and SWH 2 are on page 99.

Mr. Hill said at Day 9, Question 2381 to 2385, that those were small matters which would make no difference when carried into SWH 2 and there apportioned.

If you would look at Question 2381, which is on page 179, Sir, you will see that I said: "Would you look for a moment at your SWH 1. In lines 9 to 13 there you were setting out the Central Charges; that is the Central Charges of the British Transport Commission as a whole which had to be apportioned in SWH 2? (A) Yes, in those lines, other than the interest items. (Q) Mr. Evershed, in his evidence, raised criticism about your lines 9 to 13, did he not? (A) Yes. (Q) Were you present and did you hear his evidence? (A) I heard that, yes. (Q) Have you considered what the effect would be if you gave effect to Mr. Evershed's criticisms there and amended your tables accordingly? (A) Yes. In the application of this method it does not alter any of the resultant figures by the requisite £0.1m. at any stage. (Q) Translating that into actual figures, when you come to SWH 2, if you had adjusted SWH 1 as Mr. Evershed desired, what effect would you get in the result on your £5.3m. in line 16? (A) It would remain at £5.3m. The difference between Mr. Evershed and myself on these expenses are very trivial indeed".

I would like to correct a slip of the tongue here, Sir; I said that SWH 1 was setting out the total capital assets, but of course it was not; it was the total Central Charges.

3 March, 1961]

[Continued]

We say, therefore, that for those reasons our Table SWH 8 should be adopted, and not Mr. Evershed's AE 5, because we have the premise that their method was not calculation, but judgment. We have the concession that subject to the attack made upon the details of the working out, our method was probably a more satisfactory test, and then when it comes to details the main one was the omission of current assets, which in fact works in our favour, and the other was detail of certain specific items which really do not make any significant difference.

Now, Sir, you did say that you desired to ask me something about my mathematical test.

(President): Yes; have you your Tables SWH 1 and SWH 2 in front of you, on page 99; would you look at line 15 of SWH 2. Why do you take the Central Charges which you are about to apportion for 1959 as £61.2m?

(Mr. Goff): Because we take it from SWH 1, Sir.

(President): Yes, and why did you take it into SWH 1 as being £61.2m?

(Mr. Goff): It is probably my fault, Sir, but I do not quite appreciate the difficulty. In 1958 the total was £60,895,000, which we carry out as £60.9, and in 1959 we carry £61,245,000 out as £61.2m.

(President): Yes, but why do you take it as £61.24m—The Central Charges were in fact £86,941,000, which you get in your line 14.

(Mr. Goff): It is after making the adjustment in lines 15 and 16 for interest on advances on Special Account in respect of British Railways.

(President): Yes, but why are those figures to be deducted?—The liabilities of the Commission in 1959 were £86,941,000.

(Mr. Goff): They are deducted because they are exclusively matters appertaining to British Railways, and despite a vigorous cross-examination of Mr. Hill, it was never suggested to him that that was an inaccuracy in his method.

(President): It may be that the Commission do not think it is, but I am not satisfied, and never have been on the point, neither at the last Inquiry nor at this Inquiry. I think at both Inquiries I have said I am not satisfied as to why you should deduct the Special Account figures.

(Mr. Goff): They are exclusively British Railways and directed by the 1957 Act to be carried to a Special Account.

(President): Parliament has said they are to be carried to a Special Account, but Parliament has not said they are not liabilities of the Commission.

(Mr. Goff): That is true. But when one is considering what contribution should be made by London to the Central Charges, in our submission one should exclude that which is exclusively related to the Railways and by Parliament directed to be kept in a separate account.

(President): But a great deal of the other Central Charges which you have not excluded are exclusively directed to the Railways. The greater part of the Transport Stock — and its amount can be ascertained — was issued in order to acquire the Railways. Why have you not excluded the whole of the Railways?

(Mr. Goff): Because the Stock as a whole was issued to acquire the whole Undertaking, and the Stock is apportioned in the accounts.

(President): I do not think you quite follow me. You say you deduct the £25m. from the total Central Charges as shown in the account because they are exclusively arising in respect of the Railways?

(Mr. Goff): And by Parliament directed to be carried to a separate account.

(President): Shall we take them both separately. Let us take the direction of Parliament that they should be carried to a separate account. How does that affect the fact that they remain part of the Central liabilities of the Commission as a whole?

(Mr. Goff): It affects it in this way, that Parliament has said they are to be dealt with separately —

(President): They are to be carried into a separate account.

(Mr. Goff): But it must be material, in considering what contribution to Central Charges should be made by other parts of the Undertaking, that Parliament itself has said that this particular matter is to be treated separately and carried to a separate account.

(President): So it has, but it would not assist the Objectors here if we say: "Very well, we will carry to a separate account of the London Transport Executive their appropriate share of the £25m." It is merely a matter of writing figures on a different page, is it not?

(Mr. Goff): Except that there is no suggestion by the Legislature that that separate account should be a separate account otherwise than for the Railways.

(President): It remains a liability of the Commission, does it not?

(Mr. Goff): That is clear.

(President): And are you not engaged in SWH 1 and SWH 2 in finding out, for the particular purpose of fixing fares, how much of the Central liabilities of the Commission should be treated as having to be borne by the London Transport Executive?

(Mr. Goff): Certainly.

(President): Do not the Central liabilities of the Commission extend to the £86,941,000?

(Mr. Goff): Yes; but the fact that they extend to it does not necessarily mean that that is something to which London should contribute.

(President): Is your only reason for saying that London should not contribute to the £25m. the fact that those £25m. relate exclusively to the Railways?

(Mr. Goff): No, there are two reasons: That they relate exclusively to the Railways and they have been treated separately by the Legislature.

(President): The Legislature says they are to be carried into a separate account.

(Mr. Goff): Yes, that is to make them a separate matter. What point could there be in providing a separate account except that they should be dealt with separately, and, following that principle, in our respectful submission, that is not to say they should then be charged in any part of London. As I say, I take the two together, and, further, I do rely upon the fact that this was never put to Mr. Hill. He was challenged in many ways, but never on this.

(President): That goes to the old point. After all, this is not a trial *inter partes*; it is not a question of Pleading and saying the Commission have not taken the point and, therefore, it ought not to be considered.

(Mr. Goff): No, but it is a material thing to bear in mind, when one comes to the final address, that this point has not been put to the expert.

(President): I am now putting it to you.

(Mr. Goff): Yes, you are putting it to me, but it was not put to the expert.

(President): And I indicated that it was in my mind earlier in these proceedings.

(Mr. Goff): I must leave my answer there. I have made my submission upon that.

(President): Very well. Will you look again at SWH 2, line 13 (b), in the 1959 column. Where is that figure of £258m. derived from? If you do not know offhand, perhaps that can be left over for your Juniors to find out.

(Mr. Goff): May I reserve that?

(President): Yes; it is the £258m. and the £228m. They must be taken from somewhere, and perhaps I ought to know myself, but I do not.

(Mr. Goff): I have no doubt we can find the answer to that.

3 March, 1961]

[Continued

(President): Of course, if my doubt is correct as to the deduction of the £25m.-odd from the £86m.-odd and we ought to be considering what the London Transport Executive share is of the £26m., your figure would go up to £7.4m. for Central Charges.

(Mr. Goff): I do not know the precise figure, but obviously it would follow that the calculation would be substantially increased.

(President): Tell your Juniors to find the answers to those questions.

(Mr. Fay): The figure of £258m. is in Table V-20, that is the deficit borrowings. I think it happens to be the same figure. Of course, Mr. Hill's figure is a mean, whereas the figure in Table V-20, three-quarters of the way down the right-hand column, is the total borrowing at the end of 1959.

(President): Under the Railway Finances Act?

(Mr. Fay): Yes.

(President): What is it the mean of?

(Mr. Fay): I presume it is the mean of the year.

(President): Anyhow, that is your suggestion?

(Mr. Fay): Yes.

(President): Can you throw out a suggestion as to the £228m. figure?

(Mr. Goff): I think Mr. Hill will be able to come here, and I have asked that he should come. If I might reserve that, I will then be able to give you the proper answer.

(President): Very well. Even if your speech is concluded before Mr. Hill arrives, you can make a second speech on this point if you want to.

(Mr. Goff): I am much obliged, Sir.

Reserving that, our submission is that the SWH figures should be adopted in preference to the AE 5 figures, and the SWH 8 figures are £5.6m. for 1960, £6m. for 1961, and £6.5m. for 1962.

(President): 1960 obviously does not matter at all, does it?

(Mr. Goff): No, I do not think it does.

(President): It is dead and gone.

(Mr. Goff): That is a saving ranging from £0.7m. to £0.9m. compared with AE 5. If we take the 1962 figure, which is £6.5m., that is a saving of £5m. compared with the £7m. on which the Commission have actually worked in their estimates of the future year. So if the SWH 8 figures be adopted, then the £7m. which they have charged against London in arriving at their £2.1m. surplus for the year would be reduced by half a million pounds, and the surplus would, therefore, accordingly be increased by half a million pounds.

If you take the specific method, whether as a test or an alternative, you still get savings, though they are not as large compared with AE 5 because the figures in the specific method which Mr. Hill has put forward are £5.9m., £6.3m. and £6.8m. Those are savings, compared with AE 5, ranging from £0.4m. to £0.6m.; at the worst, that is taking the figure for 1962 in Mr. Hill's table of £6.8m., that would be a saving of £0.2m. against the £7m. adopted by the Commission in the future year. But, as I have said more than once, we put forward SWH 8 as our case, and we say the saving is £0.5m.

The next matter which I respectfully desire to canvass before the Tribunal is the issue which arose as to our specific approach tables, that is, SWH 3 and SWH 4. You will remember that there were several points which arose on that, and Mr. Hill said there were two main points, but one of those was sub-divided.

The first matter was: "Should anything be brought in in respect of current assets taken over from the London Passenger Transport Board over and above the Trust Fund of £38.8m?"

(President): That was not the first point, was it? The first point is whether, as Mr. Hill has dealt with it, the £41m. should be treated as cash in the hands of the notional body.

(Mr. Goff): I was going to deal with that, but I was taking first the point whether it was £38.8m. or £41m., and then, secondly, whether the proper figure, be it £38.8m. or £41m., was dealt with in the correct way. Then, thirdly, there was a corollative point as to whether Mr. Hill dealt correctly with the interest on the book value attributable to the lines which were acquired and transferred direct to London Transport other than the lines acquired from the London Passenger Board.

(President): The working of the lines, strictly.

(Mr. Goff): If you please, yes.

What Mr. Hill has done there is to treat the interest on the appropriate amount of Stock in the same way as the interest on the Stock issued for the acquisition of the London Passenger Transport Board Undertaking, whereas the other side have dealt with that by treating it as a cash transaction, treating it as capital expenditure.

The second main point was whether the interest should be calculated in accordance with Mr. Hill's method, that is, taking half a year's interest on half the interest, or whether it should be done as they have dealt with it, by taking either half a year's interest on the whole interest, or a whole year's interest on half the interest; the effect in the result, being that they bring into account half a year's interest, and we bring into account a quarter.

Then there were minor matters as to the mode of calculation of Central Charges other than interest, but I think that summarises all the points.

First, as to the question of the difference between the £38.8m. and the £41m., that is £2.2m. You remember the actual starting figure of current assets was £3.5m., and it was reduced to £2.2m. by allowing £1.3m. as working capital. Mr. Hill dealt very fully with his reasons why he allowed £1.3m. We submit that it cannot be right to ignore this £3.5m. altogether as the Transport Commission have done, unless it can be said that the whole of it be required for working capital. If you accept Mr. Hill's evidence that £1.3m. was the proper figure to appropriate for that purpose, then, in our submission, the £2.2m. ought to be brought into account, and the correct figure becomes £41m. and not £38.8m.

He dealt with his reasons for that in Day Nine, beginning with Q.2434 on page 180. He was asked: "Why did you reduce that by £1.3m. (A) Well, for this reason: One could argue that the whole of the £3.5m. should be brought in without further adjustment, but I reasoned this way, that at all times something needs to be kept in the coffers and cannot earn interest, being a sum required for the day-to-day working capital. In other words, every undertaking cannot put on deposit or invest the whole surplus cash, it needs to keep something for day-to-day use. So I reasoned that as we are doing an interest exercise here it would, perhaps, be unfair to claim that the whole of that £3.5m. is capable of earning interest, some part of it ought to be treated as working capital and not so available. (Q) In order to make up your mind how much ought to be treated as working capital you had to consider, did you, the need for working capital in an undertaking of this kind? (A) Yes. (Q) What factors were present to your mind when you were considering that aspect of the matter? (A) Well, there are only, really, two purposes for which working capital is required in a transport undertaking of this kind. (Q). What are those two purposes? (A) I will put it in this way, if I may, that you must have some sum in hand to iron out seasonal fluctuations. The income in the early three months of the year is not coming in at the same rate as it is coming in in the summer months, and although it is true, no doubt, that expenses are not going out at quite the same rate, they are not so subject to the same seasonal fluctuations and therefore one needs a little working capital to tide one over the leaner months of the year. If looks at the pattern of traffic and revenue over the months in London Transport—"

(President): If one reads on to the end of Q.2542 one has got it, has one not?

3 March, 1961]

[Continued]

(Mr. Goff): Yes, indeed. You would prefer to leave that, would you, Sir?

(President): Yes; it is rather laborious reading it through now we have the reference to the questions and answers.

(Mr. Goff): If you please.

We say, therefore, that the £1.3m. was a proper figure, and that the £2.2m., if that be accepted so far, cannot be ignored altogether and it ought to be brought into the account.

Then I pass from that to the £38.8m. The object of the exercise is to treat London as if it were a separate entity, and, therefore, we submit that it is wrong to say that this fund merged in the assets of the Commission and still more wrong to say that it reduced the Stock issued, for that it just did not. The Stock was issued according to the value of the undertaking which was being taken over, and it was not in any way reduced because part of the assets taken over were this Trust Fund. In our submission, therefore, the way in which Mr. Hill has dealt with it is the logically correct way of carrying out the exercise of treating London as a separate undertaking, because what he does is to debit London with the interest on the whole of the appropriate proportion of Stock giving a higher debit figure than the Transport Commission, and then to credit London with interest on this Fund as if it were lent by the notional separate undertaking to the Transport Commission. It being a Fund which originated from London and was part of the assets of the London Passenger Transport Board, he treats it, therefore, as being part of the notional separate undertaking of London and as lent to the Commission, and, therefore, he gives London credit for it so long as it will last. You will remember that in cross-examination Mr. Hill said that if the Fund was treated as subsequently assisting the Commission to postpone borrowing elsewhere, then it ought to be treated as having been borrowed from London at the current rate of interest. For that the reference is Day Ten, Q 3182 to 3189, but perhaps, again, I need not read that to the Tribunal.

(President): Does all this matter as from the year 1960 onwards, Mr. Goff?

(Mr. Goff): It does matter, because it affects the rate of interest which is taken into the calculation of Central Charges.

(President): If one were starting with the year 1960, by which time what has been referred to as the "nest egg" had been exhausted, from that moment onwards it cannot matter, can it?

(Mr. Goff): Thereafter it does not matter to the calculation but its effect remains as a legacy, because the starting figure in 1960 would be different because of the different treatment in the previous years.

(President): How different? Take Mr. Hill's Table SWH 4 and forget all the years up to 1960, by which time what is called in column 15 "B.T.C. Loans" had been more than exhausted.

(Mr. Goff): Indeed, yes.

(President): Which of the figures in the other columns would one have to alter?

(Mr. Goff): If you accept the 1960 figure as brought out in SWH 4 and forget all the others, then, of course, I agree it does not matter, because it has had its effect, you have got your starting figure and you go on with the calculation, and that matter is not relevant; but the significance is, of course, that if you deal with the matter as it was dealt with in PJ 16 and AE 6, then, by reason of the operation of the different methods, you would bring out a different starting figure in 1960. If one accepts the 1960 figure and says: "Well, you can forget what has gone before", well and good; but the significance of it is in calculating down to 1960 to see what figure you get when you get to 1960, and the figure brought out in PJ 16 and AE 6 for 1960 is so much the higher and worse for London because the earlier years have been calculated in accordance with their method of dealing with the £38.8m. than it is when it is dealt with in accordance with our method. I respectfully agree that

it does not make any difference once you have got your starting figure, but the question is what figure you get in 1960, and the two methods produced a different figure.

The next question was the matter of the London Lines taken over and confided to the Management of London Transport. There, I think I am right in saying that Mr. Evershed in the end agreed with Mr. Hill's treatment of this matter; that is the Fifth Day, Q 771, page 90. At Q 771 I said: "When the Tribunal adjourned, Mr. Evershed, we were just discussing this £0.37m. item in the notes in SWH 5?" (A) Yes. (Q) The learned President pointed out the difficulty of estimating the true amount of stock which ought to be attributed to London in respect of London Lines taken over by the London Transport Executive. But subject to that difficulty, is this not an entirely logical and right way of doing it, because the Transport Commission issued an aggregate sum of stock for the acquisition of all the main-line railways and some part of those were acquired on behalf of the London Transport Executive and, therefore, London should be debited with the interest on whatever is the appropriate proportion of the stock representing the London acquisition. Would you agree that that is correct?", and the answer was "Yes".

(President): His answer was "Yes", but subject to the difficulty that you do not know what the amount of Stock was.

(Mr. Goff): That, of course, is inherent in the specific calculation, and both sides, in fact, worked upon book values to overcome that difficulty. But the question is whether, having taken book values to overcome that difficulty, Mr. Hill had then properly dealt with the interest attributable to the book values which had been taken, and Mr. Evershed is there agreeing that Mr. Hill had adopted a right method of dealing with that. You will remember that it was Mr. Evershed himself who raised this question and suggested that Mr. Hill was not being consistent with himself in this regard, and Mr. Hill maintained that he was, because he said this was, in fact, a Stock transaction and he had so treated it. Then here Mr. Evershed is agreeing that the method adopted by Mr. Hill is right. The difficulty was a difficulty inherent in both methods. That has nothing to do with whether Mr. Hill has correctly dealt with the interest, that is a difficulty which goes to the root of the specific approach.

(President): I do not think it does. It is all very well saying it was a Stock transaction, but all that meant was that the Main-Line Railways as a whole were bought out by the issue of Stock, and the difficulty is whether you ought to assume that the Stock for which the Commission made themselves responsible was the amount which has been stated to have been the book value of these transferred lines.

(Mr. Goff): What I am submitting is this: Of course that difficulty is there, but that is inherent in the approach of both sides, and both sides have solved the difficulty, for better or worse, by taking the book-value figure.

(President): But they dealt with the book-value figure differently. If all we know about the transferred lines is that someone estimates, or everybody agrees, that their book value, not the Stock representing them, is £12m.-odd, surely in the case of those £12m. even assuming you are right in treating the nest-egg as being kept in the hands of this notional body, the nest-egg ought to be treated as buying those railways at their book value. What Mr. Hill said was: "Oh, no; they were part of something which the Commission acquired for Stock. I will treat the amount of Stock as being their book value, and I will treat that as being part of the obligation in Stock of the London Transport Executive."

(Mr. Goff): I respectfully submit it would not be right to treat part of the nest-egg as being used to buy these railways, because it is quite clear that, whatever else happened, that did not happen. That would be calculated on a purely imaginary basis.

(President): A great deal of this is purely imaginary, as I have pointed out already.

(Mr. Goff): Yes, but one should not conjure up things that are not necessary to be imagined. Here what you have to do is to apportion Stock. There is a difficulty

3 March, 1961]

[Continued]

in knowing how to apportion it, and the only reasonable basis is to take the book value; but it should not change its character, in our submission, it should remain a mode of apportioning Stock.

(President): We may differ as to what the meaning of "conjuring up" is. Do you say, although you will not agree to call it "conjuring up," that the amount of Stock representing these little bits and pieces should be treated as if it were the book value? It may be right, it may not.

(Mr. Goff): That is a basis, and, with respect, it is an agreed basis of determining what is the proper proportion of stock to be treated as attributable to London in respect of this acquisition. If you get hold of that, then the problem which Mr. Evershed raises presents itself, as to how you should deal with the pieces of Stock which you have quantified in that way. In our respectful submission, the first exercise is to determine what is the right proportion of Stock and the second exercise is to deal with it when you have found out what it is, and, in our submission, the right way to deal with it is to say: "We have quantified that as being the Stock properly attributable to London and therefore we must treat London as liable for the interest on that portion of Stock so quantified." With respect, that is what Mr. Evershed is agreeing was the right thing to do.

(President): Subject, as I say, to what, to my mind, is the difficulty.

(Mr. Goff): But, with great respect, that is a different problem, and it is a problem which both sides have agreed ought to be solved in a particular way. But the fact that that difficulty presented itself at the start is no reason, in my submission, why you should then, when you have solved that difficulty, deal with the matter otherwise than as you would deal with it if you knew the precise figure. That is a method of getting over the quantification, and then you have to decide what is the right way of dealing with the problem itself, and on that, in my submission, the parties were agreed; and even if they were not agreed, in our submission it is the right way of doing it.

(President): It is "conjuring up." Nobody knows how much Stock was issued. Everybody does know as a fact that London Transport were not charged anything, either in the form of Stock or in the form of a book value, in respect of these lines. It is only for the purpose of these inquiries that we have to conjure up a figure.

(Mr. Goff): A certain amount of conjuring up, of course, is necessary because the whole exercise is a hypothetical one treating London as a separate undertaking, but within the ambit of that, in our submission, one should endeavour, as far as possible, to proceed on fact, and the fact is that you have got Stock issued for railways, you have got certain railways going to London Transport, and therefore one has to find out what proportion of the Stock should be attributable to that acquisition and charged accordingly to London.

(President): The other approach is that you keep to hard facts as far as you can. You find London Transport suddenly in possession of some lines which were previously not in the possession of their predecessors, the London Passenger Transport Board. You say: "Hullo, what are we to do with this? All we know about them is that everybody is agreed they are worth about £12m." and is it not perfectly proper to say: "Well, if you have got any cash, let us treat you as paying for them."

(Mr. Goff): I do not want to labour this unduly, but I respectfully submit not, because the next question which one ought to have asked one's self is: "How were they acquired?", and the answer to that question is: "By an issue of Stock." The next question is: "What should we do with the Stock?", and the answer is: "Apportion it," and it is then a debit in respect of Stock which London should bear and not a debit in respect of its liquid resources.

(President): That is where you are "conjuring" and departing from the known facts.

(Mr. Goff): No, with respect, not, because nobody bought these railways for cash, neither London Transport nor the Commission as a whole. We say we are standing on the actual fact as far as you possibly can stand on it. Of course, you have got to treat London as a separate

entity and therefore divide the thing up, but we treat the transaction as it was: It was the acquisition of the railways as a whole for Stock.

(President): For an unknown quantity of Stock.

(Mr. Goff): It is unknown how much is attributable to London Lines, yes, but the amount of Stock issued for the lines as a whole is known, and it is only a question as to how, when you know the sum of Stock issued for the transferred lines, you are to apportion that Stock. That difficulty is solved by taking book values. Once you have got over that hurdle, why depart from the fact that these transferred lines were acquired for Stock and not for cash?

(President): The whole point is why should you say that you get over the difficulty by taking the book value?

(Mr. Goff): Because you must get over the difficulty somehow. You have got to put some value on it. You could have adopted some other method and apportioned the Stock in accordance with the size of the undertaking, but that would appear to be the best method. It commended itself to both sides. That difficulty has got to be solved, but there is nothing in that difficulty which requires you, when you have solved it, to treat the transaction as if it had been something totally different from what it was, as if it had been a purchase either by the Commission as a whole or by the notional separate London entity for cash, when nothing of the sort ever occurred. That is our submission on that point.

Then comes the question of the method of dealing with the interest, and that is dealt with in Day Nine at Qs. 2614 to 2620.

(President): Would it not be simpler to proceed by taking the example in SWH 11 on page 203? I do not understand it myself yet.

(Mr. Goff): The point is this: There are two things to be dealt with. One is the interest on the accumulated deficit or surplus from previous years at the beginning of the year. There is no issue between the parties on that. You take a full year's interest on that, because you are either out of pocket that amount or you have got it in your pocket according as to whether it be a deficit or a surplus. Therefore there is agreement on the first line. The assumed deficit to the end of the previous year is £10m., and the interest thereon is £0.3m., and you will observe that both the calculations are dealt with in exactly the same way. There is no parting company on that, because that is interest for a whole year which you suffer or earn on the deficit or surplus at the outset of the year.

Then what the Commission do is to say: Well, you have got to calculate also interest on the current surplus or deficit during the year, and they deal with that by saying: Take the net revenue and deduct all the expenses, the interest you have to pay and the other expenses, and that gives you a balance one way or the other—in the example it is a deficit. Then they halve that to take the mean for the year, because one does not precisely know when the outgoings are going out, some may go out at the start of the year and you are out of pocket all the year, others you may not have to find until the end of the year so you are not out of pocket in respect of those, and you cut the Gordian Knot by taking the mean and saying let us treat as out of pocket half the year for the whole of the expenses.

(President): Therefore the interest you have to provide in the second year is £0.33m. In the first year you bring forward an interest obligation from the previous year of £0.3m.; that is right, is it not?

(Mr. Goff): You bring that forward from the first year to the second year, and that is an interest obligation to be provided in the second year.

(President): And you add to it, in respect of the second year's transaction, £0.3m.?

(Mr. Goff): Yes, in respect of the interest which you have to find during that year on your deficit for the year, which is composed partly of ordinary expenses and partly itself of interest.

(President): And the total interest charged in the second of these two years is £0.330m.?

3 March, 1961]

[Continued]

(Mr. Goff): Indeed, yes.

(President): Mr. Hill says that is the wrong way?

(Mr. Goff): Yes. He says it is the wrong way for this reason: As to charges other than interest he accepts the principle that you take the mean and therefore you pay interest on half of those, but as to interest you do not do that, because you do not have to find any interest until the middle of the year because the interest is payable half-yearly in arrears. So you are not out of pocket until you get to the middle of the year and then you have got to find half a year's interest, and you are only out of pocket that half-year's interest for the remaining half of the year, and you ought only charge yourself with interest for that half-year of half the interest, because you know that that disbursement is met at the middle of the year and until then you have not got to find any money in respect of that, and when you do find it you are out of pocket to that extent for the remaining half of the year.

(President): Mr. Goff, I am looking at the example of Mr. Hill's method. He says that instead, according to the Commission's method of working interest, of the liability in the second of the two years being £0.330m., it will be £0.293m. That seems to me to be incredible. He began with a running interest liability of £0.3m., and surely the effect of these transactions during the second year would not reduce that?

(Mr. Goff): Yes, indeed, because during that year there is not, in fact, a deficit, but a credit. You are only out of pocket half a year's interest for half a year, and therefore you are earning money out of your revenue. You remember he gave the example of the business which just made enough and would therefore be in credit all the year except for one day.

(President): Let us take the third year. If we had a third year you would begin with a liability of £0.293m., would you not?

(Mr. Goff): Yes, indeed.

(President): And assuming the business went on in the same way, at the end of the year the liability would be reduced below £0.293m.?

(Mr. Goff): If it went on in the same way you would again have made a surplus, because your revenue is sufficient, in fact, to meet your expenses other than interest and to provide the interest and leave you with a surplus upon which you can earn in the meantime.

(President): A deficit would work in the opposite direction, of course.

(Mr. Goff): Certainly.

(President): It would increase more than the Commission's method of reckoning, would it not?

(Mr. Goff): No, Sir, it would not, because you would still only charge half a year's interest for half a year. But, of course, if it were a deficit it would increase the interest charge and not reduce it. The expenses, of course, leave a surplus which obviously would reduce the interest charge, and the exercise here is to see whether the interest itself for the year produces a deficit or not. In our submission, in calculating that you do not take, as they do, half a year's interest, but you take a quarter, because there is no deficiency at all produced by interest and no out-goings until you have run for half a year, and therefore in that year you have only got to set against your revenue the half-year's interest which you have to provide half-way through the year, and you are only suffering in respect of that expenditure for half a year. Of course, the object of the exercise here is to see whether there is a deficit in the year due to interest, and the calculation does produce a deficit of £0.293m. which you add—

(President): No. The comparison in this Memorandum as it stands is between the figure of £0.330m. (which is the Commission's figure) and Mr. Hill's figure at the end of the second year of £0.293m., which he says is instead of the £0.330m.

(Mr. Goff): Certainly, and, of course, that is itself a debit balance which would be added to the previous deficit of £10m. for the purpose of calculating the further interest the next year. So that it would not be a vanishing

quantity, which I think is what is worrying you. It produces a deficit which is added on to the £10m. upon which you will have to pay interest in the third year, but it produces a deficit of £0.293m. instead of £0.330m.

(President): I will think about it again. You may have convinced me when I read it in print. In point of fact, it does not seem, for our purpose, to make a great deal of difference. If you compare the interest calculation in SWH 4 with the interest calculation in AE 6 for the relevant years—which I treat as being 1961 and 1962—in 1961 Mr. Evershed's calculation is £50,000 more and in 1962 it is £90,000 more.

(Mr. Goff): That is comparing SWH 4 with AE 6?

(President): Yes—a wet Saturday afternoon would have as much effect!

(Mr. Goff): Would you indicate the comparison you were putting to me, Sir?

(President): I had not got them before me, but my note suggested that in 1961 the interest calculation is £0.55m. in SWH 4, column 10, whereas in AE 6 the interest calculation in column 13 is £0.60m.

(Mr. Goff): That is right, Sir.

(President): And the similar comparison between the same column for 1962 is that Mr. Hill's is £0.43m. and Mr. Evershed's is £0.52m.

(Mr. Goff): Yes. It is not a large matter, but it is one of the elements in considering whether the Central Charges are accurate or not.

(President): What troubles me about Mr. Hill's method, put forward with his usual confidence, is that it seems to have been hidden from Mr. Lawson, Mr. James and Mr. Evershed as a professional matter. It seems to me very odd.

(Mr. Goff): It is a small matter and they may not have gone into it so meticulously. But you heard Mr. Hill's evidence on the subject, and he does say it is a recognised way of dealing with the matter, and in our respectful submission, if I may once more pray it in aid, it does give effect to the actual facts, because one is considering here whether there is a deficit or a surplus during the year which will increase if it be a deficit, or reduce if it be a surplus, the deficit with which you started and whether that is occasioned by the current interest, and for the purpose of ascertaining that what you have to do is to see what interest you would have to pay and when. You are not out of pocket in respect of interest until you get to the middle of the year, and then you have to provide a half-year's interest and you are out of pocket for that half-year's interest for the rest of the year; therefore you are out of pocket half a year's interest for half a year.

That brings one to the minor point, which was the mode of calculating Central Charges—

(President): Central Charges other than interest.

(Mr. Goff): Yes.

(President): That is a very narrow point too, is it not?

(Mr. Goff): That was a narrow point. It produced in the result £1m., and Mr. Hill divided that and said £0.4m. was due to the fact that Mr. Evershed's method was a hybrid taking out certain items and applying a percentage to the balance, and Mr. Hill said if you were going to do it you ought to apply a reduced percentage to the balance, and that, he said, produced £0.4m. Then the balance of £0.6m. was due to the fact that Mr. Hill said the percentage was the wrong percentage anyway, it ought to be 9 and not 10. The evidence there, Sir, is Qs. 2660 to 2665.

(President): I think the complete block of evidence is Qs. 2653 to 2670.

(Mr. Goff): Yes. I was endeavouring to pick out the more vital ones, but the Tribunal has a wider note on it.

It was also dealt with in cross-examination, and you probably have a note of it. That is, again, a very large block of evidence, but I have picked out as the salient features Q. 3244 on page 207: "Why should the propor-

3 March, 1961]

[Continued]

tion be different if it is applied to some and not to all? (A) That is quite simple. One gets a perfect illustration of that if one takes the Central Administrative Expenses as shown in Account IV-6."

Then you interposed, Sir: "We are on the 1959 Accounts, are we? (A) Yes, page 23. Could I give the answer, first of all, in relation to the salaries, etc., paid to the members of the Commission, and I would like also to apply it to the much larger item, Administration Expenses. Whereas it may be a reasonable thing to take 10 or 9 per cent.—and we need not get into that dispute at this point—of the total of these several items, if one takes out the London item separately—that is the last item here, the £31,755—and attributes it solely to London, one brings into the question whether it is then right to take 10 per cent. or 9 per cent. as the London share for this reason, that since the changes some years ago there is only one Executive and that is the London Executive; all the other Executives were abolished, and, as is well known, the Commission became directly responsible for all their other activities with no Executives, only Area Boards, which is something quite different. It is quite clear that, by reason of the delegation to London Transport the British Transport Commission, as a Commission, is not concerned with the day-to-day or month-to-month affairs of London Transport to the same extent as they are with British Railways and the other activities. I would therefore say that it is responsible, if you are taking out the London part and changing it entirely to London, to say what would then be an appropriate percentage to apply to the balance. I cannot tell you what that percentage would be, but it obviously must be something less than it would be if you applied it to the whole. I think that is axiomatic."

I do not want to weary the Tribunal reading the whole of it, no doubt when considering your decision you will read this passage at length; but I have picked out next the bottom of column 1 in the long answer to Q.3251, where Mr. Hill said, about seven lines from the bottom: "... I say the net result of all that, leaving the London Transport Executive as an almost autonomous body within the British Transport Commission, in fact a statutory incorporated body as the London Executive, is must mean that proportionately the Transport Commission members do not, and cannot, give 10 per cent. of their time to London Transport but something less, because they have delegated so many of their functions to London Transport. That is why it is dangerous to take out London Transport and then apply the same percentage to the rest."

Then there were a number of questions in which it was suggested that if they took out some and varied the proportion it might be even higher, and then there was the argument, you remember, which was referred to yesterday as to whether 60 people in the offices of the British Transport Commission could devote their time to London Transport.

Then at Q.3292 on page 209: "Having regard to the factors one way and another, do you not think, looking even within the confines of Table IV-6, that the proper thing to do is to take 10 per cent., or 9 per cent., taking out those first three items? (A) No; it is much safer to take a percentage of the lot."

Then at Q.3331 on the next page Mr. Fay said: "But you do not like my doing it after taking out the specific items?" and Mr. Hill said: "No. I do not like you doing it when you take out specific items of the fees of the London Transport Executive and then still assume that the same percentage applies to the fees of the British Transport Commission. That was the point. (Q) Your criticism is limited to Table IV-6, is it", and he said: "Oh, yes."

I also noted Q.3348, in which it appeared that there was no substantial issue between the parties as to the right items on which to work, though there might be as to whether you apply a percentage to the whole or pick out some items: "I am not going to quarrel about that. So there is nothing substantial between us about which items to take. Let me complete this sum while we are on the point. It is going to be shown more clearly in an Exhibit" which we have now got—"but the items we have been discussing, the common items, add up to

£5,507,000, and 10 per cent. is £551,000? (A) Yes. (Q) To that Mr. Evershed adds the specific items? (A) Yes."

That deals with the question of percentage except for the 9 per cent., if you would just turn back. Mr. Hill showed why he took 9 per cent. at page 206, the three questions from 3198 to 3200. You, Sir, said: "I do not follow this at all", and you asked Mr. Hill: "Will you tell me where you get your 9 per cent. from? (A) The relationship of capital investment in London Transport undertaking in relation to the British Transport Commission which can be derived, although it is not shown as a percentage, from SWH 2."

Then you asked: "But was it derived from Table SWH 2?", and the answer was: "It was derived from the working table from which SWH 2 was obtained". Mr. Fay said: "It is the relationship of line 7 to line 14?", and the answer was "YES".

So that Mr. Hill fully justified his percentage of 9 per cent. on the relationship of capital investment, which is, of course, the test which he stresses throughout, and therefore he says 9 is more correct than 10.

As to the other aspect of the matter, he says that if you take up specific items, then you ought to reduce your percentage in respect of what is left because there will be less for the Transport Commission as a whole to do in respect of London Transport when you have dealt with the specific items separately.

(President): You know, one narrows the difference by looking at the table which Mr. Evershed produced, which is on page 221. I have done some amateur arithmetic, and if you take 9 per cent., which Mr. Hill is suggesting, of the £5,507,000, I think you get £496,000, and if you add that to the specific items, which amount to £102,000, you will get a total of £598,000. So that accepting Mr. Hill's view that you ought to reduce the 10 per cent. to 9 per cent. for the non-specific items, you get to a figure of somewhere round £0.6m. instead of £0.65m., which Mr. Evershed has taken in his table—at least, I think he has taken that in his table.

(Mr. Goff): You were taking 9 per cent. of the £551,000 instead of 10 per cent.?

(President): Mr. Hill said if you are going to pick out specific items, then you ought to take 9 per cent. of the non-specific items, did he not?

(Mr. Goff): What he said, actually, was that he would take 9 per cent. of the whole. He challenged the 10 per cent. to start with, and then he said if you do take out specific items, whatever is the right percentage it should, of course, be reduced for the balance, and he would reduce his percentage from 9 and not from 10.

(President): We will take it as being my arithmetic, then. If you take 9 per cent. of the non-specific items and add that to the specific items, you do get £598m.

(Mr. Goff): That, Sir, is my review of the figures, subject to mentioning them further in passing, and the question then is: What, in the light of this, do we suggest? I think I may at the outset clear away the question of British Railways other than London Lines. That is, perhaps, not really primarily my concern as appearing for the London County Council and Surrey and Middlesex.

You have had that aspect of the matter fully developed by other Counsel and other witnesses, Sir; it is the fact that that is put forward simply as a headroom scheme, and it will be for consideration whether in the light of what you have heard in the way of evidence and addresses it is not really premature, particularly as the Government plans vital changes, and it may be that the answer is that that matter should be left if it is shown that there is need. But I desire to leave that in the hands of others who have addressed you upon it, and not to enter into battle on that.

(President): If the rather startling suggestion which you made in the case of British Railways London Lines were accepted, that would dispose of British Railways outside London. When I refer to your startling suggestion, I mean your suggestion that as the deficit as a whole is so large, it is really hardly worth while thinking about giving them an extra £250,000 on seasons.

3 March, 1961]

[Continued

(Mr. Goff): It was not put quite like that, Sir. It was whether that was worth while considering in the light of the loss of custom it was anticipated that it would produce.

(President): I thought you did refer—of course, I have not the note of this—to that as being an element among the considerations which ought to lead up not to increase the season ticket rates on London Lines British Railways, namely that British Railways were running at such an enormous deficit that it was hardly worth considering giving them that extra quarter of a million pounds?

(Mr. Goff): Yes, Sir, that is a fact.

(President): And I regard that as a rather startling proposition. It would seem to me that the worse off they are, the more need there is for even small remedies; what you are saying is that the worse off they are, the less need there is.

(Mr. Goff): All these matters are matters of degree. The point there is that if there is this enormous deficit which one cannot shake off, one cannot say: "Just look at the London Lines; they are, or can be made, profitable, and therefore they ought to have a reserve". What we are saying is that you have to look at the overall picture, and that overall picture of the railways is that a reserve is out of the question. That is the way that aspect of it is put, and in our submission, that is not startling.

If London Lines were a separate undertaking, one would have to consider them simply separately; one would have to ask: What are their circumstances; what is it right for them to do? But they are not a separate undertaking; they are part of something wider, and in our submission what has to be done has to be judged in the light of the general picture.

(President): I suppose some day we, or our successors, will be faced with a specific table from British Railways London Lines; that would be an interesting set of calculations.

(Mr. Goff): Yes, Sir, and then we could direct our minds first of all as to the problems, and then as to what the figures are; but that is not before us at the moment.

(President): But I find it startling that you should suggest that as the railways as a whole are badly off, that is a reason for not providing them with an extra quarter of a million pounds from London Lines, who are not. There may be other reasons, Mr. Goff, but that is a bad reason.

(Mr. Goff): What we do say is that one has to be realistic about it. One is not simply saying here that this is a profitable undertaking which obviously should build up a reserve. It is not a reserve from London; what it is saying is: "Let us get out of London Lines a little drop in the ocean of the overall enormous deficit", and in our submission that must be a material fact to bear in mind in exercising one's judgment and considering what is proposed for London. London is not a separate undertaking which is profitable and which should have reserves; it is part of an undertaking which in fact is carrying on at a great loss, and therefore if one talks of reserves from London, one is not being realistic.

(President): Then let us drop the word "reserves" and say "surplus"; of course, it cannot build up a reserve from the railways when they are running at a deficit, any more than anybody else can in the strict sense. But talking of a surplus, is it not reasonable that the part of the undertaking, if it be profitable, should make a contribution in order to reduce the deficit?

(Mr. Goff): It is not unreasonable, but it has to be weighed in the light of all the circumstances; that is our submission.

(President): Yes, and I am considering those circumstances for a moment. The fact that the whole undertaking is losing money is no reason for not securing, if you can, that a part of it, considered separately, should not lose money, is it?

(Mr. Goff): It is if you can only do it by doing something which is commercially unsound.

(President): That is another consideration; I understand that that is a reason, but by itself, the fact that British Railways as a whole are in a bad way, cannot be

a reason for saying: Here is a part of it which can possibly provide something to make British Railways as a whole rather less in a bad way.

(Mr. Goff): Might I interrupt myself for one moment, Sir; Mr. Hill is here, and he desires to catch a train at half-past 12. May I break off from the theme of the present matter to deal with the points you raised earlier?

(President): Very well; do you want us to adjourn for five minutes?

(Mr. Goff): Yes, Sir, if you would be so good.

(President): Very well. It is a point to which I attach importance. I should like to have my mind clear upon it, even if it be the only mind in this hall which is in doubt.

Very well, Mr. Goff, we shall adjourn until you tell us you want us back.

(Later)

(Mr. Goff): I would like to say, Sir, that I am very much obliged for this indulgence.

(President): I am afraid Mr. Hill is going to miss his train.

(Mr. Goff): I am afraid he has missed it, but if we can deal with this matter now, he is hoping to go by air.

Might I ask you, Sir, to look at the Accounts for 1959, Table IV-5, where you will see that the £14,177,000, which was line 15 of SWH 1, is the £14,176,918, which appears on page 22 of the Accounts. That is interest for the year on borrowings for capital purposes of British Railways.

Similarly, the £11,519,000 on SWH 6 is the £11,518,000 on page 22 of the Accounts; that is interest for the year on advances by the Minister of Transport in respect of revenue deficits on British Railways. They are taken off.

Therefore, Sir, because they are on the face of it, in the case of one, borrowings for capital purposes of British Railways, and in the case of the other interest in respect of revenue deficits on British Railways, by the 1957 Transport (Railway Finances) Act the Commission was not only required to keep a separate account of deficits, but it was provided by Section 1(1)(b) that: "Subject to the following provisions of this section, the Commission shall (in addition to their powers under the said section eighty-eight) have power to borrow by means of advances under the next following section the sums required—(i) to meet any deficit on revenue account of British Railways for the year nineteen hundred and fifty-six or any of the next six years; (ii) to pay interest on money borrowed under this paragraph, being interest accruing not later than the end of the fifth year after that in which the moneys are borrowed not later than the end of the year nineteen hundred and sixty-four".

Then in subsection (5): "The sums required to meet any such deficit as is referred to in the said sub-paragraph (i) shall be taken to be the amount of that deficit", and so on.

So that is an item of British Railways deficit exclusively, reduced it may be by other surpluses; one is a borrowing for capital purposes of British Railways and the other is a borrowing to pay a British Railways deficit, and therefore, in our submission, they ought to be deducted from charges which are to be apportioned to the rest of the undertaking.

Then I think they desired to know how the figures—

(President): But that is the answer you made this morning, without Mr. Hill's assistance; you said they were excluded because they related exclusively to British Railways.

(Mr. Goff): Yes, Sir, and now I have elaborated it somewhat by reference to the figures and by the statement in their own accounts to that effect.

Then with regard to the figures of £258m. and £228m. in lines 13 (b) and 13 (c) of SWH 2; the £228m. comes from Table V-17 on page 64 of the Accounts, and it is a refined calculation based on details given as to the exact

3 March, 1961]

[Continued]

dates of all the advances, but approximately it is the mean increase between the £191m. at the opening of the account and the £276m. at the end of the year. The same explanation can be given of the £258m., in relation to Table V-16.

(Mr. Fay): Both those sets of figures appear in the Consolidated Balance Sheet on page 4, Sir.

(Mr. Goff): That explains the nature of the operation, Sir, and you have our submission upon it. Of course, we submit on the other point I took, that it appears from the Act that it is Government policy to treat this as a separate matter—that is, the British Railways deficit—by carrying it to a separate account by giving power to borrow, and also the fact that other surpluses have to be taken into account first before determining what has to be borrowed, so that it is exclusively a deficit of British Railways and shown by Government policy to be something to be separately treated, so far as the advances are concerned, that they are clearly advances for the purposes of British Railways, and therefore something which should not be apportioned—

(President): I understand your argument, but I still remain with the difficulty of why that is the greater part of the expenses included in the £86m. They were British Railways expenses; the greater part of the Stock interest is British Railways Stock.

(Mr. Goff): But not exclusively, and they are apportioned. What we are saying is that we bring in the total, and then we apportion that, because it is not exclusively British Railways, but here we have certain items that we take off, because we say they are exclusively British Railways, and therefore ought not to be apportioned.

(President): But by a very simple operation one could find out how much of the Stock was British Railways Stock.

(Mr. Goff): It is a different approach from the specific approach.

(President): This is the specific approach; it is taking out something specifically relating to British Railways.

(Mr. Goff): It is a specific element here in that two items, shown on the face of them to be relating exclusively to British Railways, are being taken out of the cake before cutting it up, but it is not the specific approach of finding out where each particular item should go. It is the global approach, calculating mathematically how the aggregate of the charges should be divided—

(President): It is a global approach to an amount which is being reached after a specific deduction.

(Mr. Goff): Indeed, yes, and we submit that it is justifiable, because the amount which is specifically deducted is shown on the face of it to be not part of the "globe" which has to be divided up.

I think that was all the information you desired me to obtain from Mr. Hill, Sir, at any rate as far as we have gone?

(President): Yes; you anticipated what Mr. Hill told you you could say! In fact, I asked Mr. Hill the question at the last Inquiry; it did not come as a surprise to him.

(Mr. Goff): Yes, Sir; I have looked at the passage, and he did in fact give that explanation.

(President): Yes, I may ruminate on it. I have never been satisfied by the explanation, or by Mr. Winchester.

(Mr. Goff): You have the explanation and you have this element; so far at any rate it has not been challenged by the British Transport Commission.

Then, Sir, I had made a few general observations about British Railways, and I had confined those to my friends; I shall come back later to London Lines.

I would like you now to come to the real crux of our case, which is with regard to the London Transport buses and Underground. As you well know, Sir, we say here that the Stage 3 half-mile and single-stage charging which has already been embraced by the Applicants, throughout the scale, and you will remember that in the Tables LCC 1 and LCC 2 we did in fact calculate it over the whole scale,

although not in detail. We calculated it item by item up to 10 or 11 miles, and we took the higher fares.

(President): Is that in the Fifth Day? I am told it is at page 128.

(Mr. Goff): Yes, Sir.

You see, LCC 1 has specifically included up to 11 miles, and then there is a figure for 11½ miles up to 30 miles and over 30 miles. LCC 2 is calculated up to 10 miles, with an addition for other fares, and our submission is that the scale should be introduced over the whole—at least, that it should be introduced up to the limit to which we have actually calculated, which goes quite a long way.

Our reasons for advancing this are, firstly—I put this forward not in order of importance, but as a catalogue—that it is a fair and reasonable thing to do, because it minimises the extent to which people shall be charged for travel that they do not enjoy, and which they are not entitled to have, and in those circumstances we submit that it is fair and reasonable.

Secondly, all witnesses agree that increases of fares do bring loss of custom, and when you have a cumulative effect of increases, it may bring greater losses, and we submit that this proposal of ours will soften that blow and reduce the likely injury from loss of custom.

The third reason we put forward is that the ice is broken; the British Transport Commission has accepted the principle already as to the mile and a half, and that is in operation; and it has accepted the principle as to 2½ miles and proposes that it should be extended to cover that also.

Perhaps I might ask myself parenthetically: Why stop there? Mr. Harbour agreed that there is no magic in the difference between 2½ miles and 3½ miles, and although that sort of argument cannot perhaps be pushed too far, it is worthy of note that he said in Day 6 at Question 1512 that 3½ miles could be accepted on the railways. I need not actually read that question, but as I say, it is in Day 6. There is certainly no logical barrier either at 2½ miles or at any other place in the scale.

What are the objections urged by the Applicants to our proposal? First, financial; they say that it will reduce revenue. Of course, that is true; it will. But our case is that on the figures and on a proper charge against London in respect of its share of Central Charges, it will not reduce revenue more than London will stand or more than ought fairly to be done.

Secondly it is said that there are administrative difficulties; Mr. Harbour, I think it was, said that it was impracticable on the buses—he put it as high as that—and that it was undesirable on the Underground. As I understood his evidence, the reason which made it in his view impracticable as to the buses was first the difficulty of the conductor getting round the bus in time if you introduce the single stage charging, and secondly the increased likelihood of undercharging.

(President): That is the same as the first, really; it is the result of his not getting round.

(Mr. Goff): Yes, it is the result of the first.

Thirdly, they say there is the added burden on the conductors in that they would have to memorise more fares.

Now, Sir, I am coming on to deal with those several objections in detail; would you like me to do that after the adjournment?

(President): Very well, Mr. Goff.

(Adjourned for a short time)

(Mr. Goff): When the Tribunal adjourned, Sir, I was about to review the objections which have been put by the Transport Commission to the proposed single-stage and half-mile charging.

Dealing with the buses, the first objection in point of time is the difficulty of getting round the bus. In our submission that is not sound, because the passenger may take the 1½-mile or 2½-mile journey at any stage of the route, and therefore, so far as the necessity of the conductor's

3 March, 1961]

[Continued]

getting round the bus is concerned, the damage is done once it is introduced on the 1½-mile and 2½-mile stages, because as you have the single stages there, you must have the conductor going round the bus at all the single stages, because, as I say, the passenger can take the journey from any place.

In fact, Mr. Harbour agreed with that; at Day 6, Question 1482, he agreed that the 1½-mile and 2½-mile stages are where you are likely to get the most congestion and most work for the conductor. It is at the bottom of the second column of page 124, Sir; I said at Question 1481: "One other general question before I pass to another topic and reserve the rest of it: You have actually put it in at 1½ and you propose to put it in at 2½? (A) Yes. (Q) Those would be short fares where you are likely to get the most congestion and the most work for the conductor? (A) That is true; they are fares extensively used."

Then at Question 1483: "So you have already done it or proposed to do it in the case of fares extensively used where you get the greatest pressure on the conductor? (A) Yes—on those two fares, which are heavily used."

And then the point was taken by Mr. Harbour about the risk of undercharging; that is Day 8, Question 2136, at the top of the second column of page 166: "(Q) That being so, and recognising the existence of that problem, would the introduction of the proposed London County Council scale of charging affect the problem for better or worse? (A) I think it would affect it for the worse. I feel that single stage charging, which we have already introduced at one stage and which we propose to introduce at another, does lead—and indeed I have some evidence to support this—to a greater amount of undercharging than would exist under one-mile staging. I said earlier on, I think under cross-examination—" this was re-examination, Sir—"that the ideal would be for our conductors to get around their buses and collect outstanding fares at every half-mile stage. We know that that is impossible under present traffic conditions, and that if they got round once in every two stages, particularly when they have five people standing on the lower deck, it is not an unreasonable performance. With single scale charging, half the fares, once you have passed any particular fare point, change, and whereas with mile charging if the conductor reaches a passenger who boarded at the beginning of the mile—if he reaches him at the beginning of the last stage of that mile—he is charged the mile charge. If you have a system of single stage charging, he would, unless the passenger is scrupulously honest, be charged only the half-mile charge. I know we have this difficulty with us to-day with the one-and-a-half-mile fare, and we shall have it with the two-and-a-half-mile fare if and when the proposed scheme at Stage 3 comes in; but it is a system which in my view increases the risk of undercharging, and that is one of the reasons why we have been reluctant to introduce the half-mile charges to the extent that we have and to the extent that we propose."

With regard to that, Sir, in our submission the overwhelming preponderance of the 1½ and 2½ mile journeys draws the sting of that objection, and in support of that I rely on the answer I have already quoted, where Mr. Harbour said that those were the ones with the greatest congestion and the most work for the conductor, and on the table of percentages which was put to Mr. Harbour at Day 7, Questions 1555 to 1560.

I said at Question 1555: "Therefore you have introduced already, have you not, single fare staging in 76.57 per cent. of the journeys on your Central buses, and 68.16 per cent. of the journeys on your Country buses? (A) Yes. (Q) If you add the percentage at 7d. that takes you up to three miles, and you get then an addition for the railways of 16.54 per cent. That is a single item which you see actually in the table? (A) Yes. (Q) And that, with the previous 32.82 per cent., gives you a total of 49.36 per cent.? (A) That is correct. (Q) The same exercise for the Central buses gives you an additional 11.93, which brings your 76.57 to 88.50? (A) Yes. (Q) And if you do the same with the Country buses, you get an additional 13.89, which produces 82.05 in total? (A) Yes. (Q) So that your present proposition is to introduce the single staging for half the railway journeys, 88 per cent. of the Central road journeys, and 82 per cent. of the Country bus service at ordinary fares? (A) Yes, of that order."

Extracting those figures, the introduction of the 1½-mile stage affects 76.57 per cent. of journeys on the Central buses, 68.16 per cent. on the Country buses, and 32.82 per cent. on the railways; and the 2½-mile stage gives 88.5 per cent. for the Central buses, 82.05 per cent. for the Country buses, and 49.36 per cent. for the railways. So in our submission, Sir, the risk of undercharging cannot be regarded seriously when it appears that they have already introduced a system of charges which imports that risk for journeys which are so high a percentage of the whole.

That left only the objection with regard to the memorising. I am constrained to admit that that objection does exist; it is clear from the tables that it would give more fares to be memorised. But, we ask ourselves, and we ask the Tribunal to consider, is it sufficient as an answer to our proposals if the proposal otherwise commends itself to the Tribunal for the reasons I have given; and it must always be remembered, Sir, that the Applicants themselves have not thought it an objection which would preclude them from doing it at 1½ miles; and indeed, with experience of that they have still felt that they could go further and introduce it at 2½ miles. So in our submission the answer is insufficient to exclude the proposition which we put forward. So much for the buses.

Then one has to consider the Underground railways. There, there was some suggestion that it would create difficulty at the ticket collecting end, but in our submission on the evidence that really amounted to very little, and the real question was the ticket issuing side of the difficulty.

(President): The ticket collecting is another instance of the memory addition as applied to the railways, is it not?

(Mr. Goff): Yes, Sir, I think it is.

(President): The ticket collector would have to look first at the starting station; he would have to carry in his head how much the fare was from the starting station to the collecting station.

(Mr. Goff): Yes, Sir; Mr. Harbour agreed that there was not very much in that in itself, but the real difficulty was in regard to the passenger-operated ticket machines and the machines in the booking offices controlled by the booking clerks.

The objection, so far as the passenger-operated machines are concerned, is not in our submission as serious as it might be thought to be at first sight and as was suggested, because as I put to Mr. Harbour, *prima facie* if you have two machines and you divide up your charges in this way, all you need to do is to alter one of them and then you will have one machine for the half-stage and the other for the whole.

Mr. Harbour said that you could not always do that, because you might have more than one entrance to the station; but wherever you have two machines of the same denomination at each entrance, then of course you could get over the difficulty in the way I suggested to Mr. Harbour, and you will remember that Oxford Circus Station was taken as being a particularly difficult station, and it turned out that in point of fact they had two machines of the relevant denomination, namely 10d., at each entrance. It is not necessary to read that passage, but if you want a reference for it, it is the Eighth Day, Question 2269.

(President): I would sooner read the evidence than go to Oxford Circus Station, anyhow.

(Mr. Goff): Yes, Sir; you can read the evidence in the comfort of your own home.

So that in many instances, in our submission, it will not in fact create any difficulty at all, because you simply have to alter one of two machines, and of course the cost of any extra machines that may have to be supplied would be off-set by the fact that it is clear that even on their own scheme they will have to alter the machines, because the machines as at present constituted do not fit the range of fares which the Commission are proposing at the third stage.

It was said on the Eighth Day at Question 2186 that if there was space, there would be need for 100 new machines, because there were 100 single machines of

3 March, 1961]

[Continued

different denominations of 10d. and over, and spread over 66 stations. They could not all be single machines of 10d., because there must be more than one single machine at some stations to get 100 single machines into 66 stations.

(President): That seems one of the few mathematical facts upon which we can all be agreed, Mr. Goff!

(Mr. Goff): Yes, indeed, Sir; I advanced that one with great confidence—I think even I must be right on that.

That being so, we submit that it does not at all follow that it will be necessary to provide 100 new machines, because for some of the rarer ones above 10d. it might be quite sufficient to alter the single machine.

One must remember in that connection, Sir, that the evidence is that these machines are provided for the busiest fares, and therefore it might well be that it would be sufficient to continue with a single machine of a different denomination, either keeping it as it was for the new half-mile stage, or increasing it by 1d. for the new full-mile stage.

Then, Sir, there is the question of the machines operated by the booking clerks; there you have the Table BH 32 on the Eighth Day at page 177. That, as far as it goes, undoubtedly is again a point against me, and I must face it; but once again I ask the question: Is that a sufficient reason for excluding our proposition, if the proposition otherwise commends itself to the Tribunal? In any event, of course, that could be reduced to some extent, although admittedly it would be an expensive matter, by having machines which would produce more than ten separate prices of ticket.

So far, Sir, I have dealt with it in this way: I have given the reasons why we submit that the suggestion we have put forward ought to be adopted, and I have submitted the administrative objections; that leaves the financial objection, and of course we see that our proposal will reduce the yield, but we submit that the problem comes down to this: First of all, is the surplus which they have estimated for the future year, the surplus of £2.1m. shown in AE 3, understated? That is one approach. Secondly, is the £2.1m. more than is required? I invite the Tribunal to consider those two aspects of this matter.

As to the first one, whether the estimate for the future year of £2.1m. is understated, the first part of that problem is, of course, the question upon which I addressed the Tribunal at length this morning as to the question of the proper mode of charging Central Charges. I do not want to take up time going through the argument or discussion on that again, but perhaps I might review the position.

In the calculation of AE 3 which produced the £2.1m., the Commission have taken as Central Charges the figure of £7.0m. They say that they got that, not at any rate exclusively from AE 5 or AE 6, but in part by agreement between themselves and the London Transport Executive. That does not, with respect, bind either the Tribunal or the Objectors, and one must test it against the figures which have been put in. If you take AE 5, the figure for 1961 is £6.8m., and for 1962 it is £7.4m. If you take Exhibit AE 6, it is rather higher, at £7.0m. for 1961 and £7.55m. for 1962.

But if you take SWH 8, which was our global approach, the continuation of SWH 1 and SWH 2, then the figures for 1961 and 1962 are £6.0m. and £6.5m. respectively; and even if you take SWH 4, which at the risk of repeating myself I would respectfully remind the Tribunal that we put that up only as a counter to their Exhibit AE 6 and not as our first spearhead of attack, you get for 1961, £6.3m. and for 1962, £6.8m.

We say that the result of all that is to increase the estimated surplus by half a million pounds. The reason we say that is that we take our figure of £6.5m. for 1962 from SWH 8, which is a reduction of half a million pounds compared with the £7.0m. taken by the Commission for the purposes of their estimate, and we say at least by £0.2m.—and that is if you take the higher figure of £6.8m. from our SWH 4 and compare that with the £7.0m.

That is the first part of the question of whether the surplus is understated, depending upon the question of the proper calculation of Central Charges.

The second factor to which we invite the Tribunal's attention here is the question of whether enough has been allowed for increased revenue by regularity of schedules due to the increased number of staff which are now available. You will remember, Sir, that that was a matter upon which my learned friend Mr. MacLaren cross-examined Mr. Harbour; it is a longish passage beginning with Question 1944 on the Eighth Day.

(President): You are adopting Mr. MacLaren's clients' case on that point?

(Mr. Goff): Yes, I am. I have informed my learned friend what I propose to say about it, so I hope that I shall at least not say anything that he would not wish me to say.

(President): And he can adopt your adoption?

(Mr. Goff): Yes, or of course he can reject it.

It is beginning at Question 1944, which is at the foot of the first column of page 160, and it goes right through to Question 2006, which was the end of the cross-examination just above the break in the page where the cross-examination by Mr. Vine begins on page 162.

You will, of course—at least I hope and expect you will—read that passage in full, and I do not wish to take up your time by doing that now; but I had, as I have in some of the other longer passages, marked what appeared to be the salient features of the long passage of cross-examination, and if one starts with Question 1944 and 1945, you will see that Mr. MacLaren says: "I think I will leave that matter. Could I now turn to the effect in pounds, shillings and pence of the changes of volume of traffic on London Transport, the mileage changes and the like, and it might be best if I asked you to look at your own Table BH 21. Would you look at the line comparing 1959 with the original budget?"—Table BH 21, I think, is bound up at the end of the Third Day; it is at the foot of page 47.

"Would you look at the line comparing 1959 with the original budget. You have 'Other causes (mainly effect of lower mileage) minus £0.2m.' Could you say how that £0.2m. is constituted? What I should like to know is what part of it is lost mileage, first. (A) What I am doing here in this Exhibit BH 21 is to compare, in the first part of it, the actual 1959 receipts with the original budget of £78.3m., and there is a difference between those two figures of £1m., which is almost entirely attributable to the effect of fares increases. The other causes of minus £0.2m. are made up of a number of different reasons, and I have not got amongst my papers the details analysis; but the effect of the lower mileage would constitute the bulk of that, the major part of the £0.2m. (Q) Would that lower mileage be mainly lost mileage between budget and actual experience? (A) We are dealing with the year 1959? Yes, it would mainly have been that".

So that that is lost mileage in 1959 to a figure of £0.2m., the lost mileage being the bulk of it.

Then in Questions 1949 and 1950, my learned friend dealt with the year 1960; in the answer to Question 1948, Mr. Harbour said: "We are dealing with a larger difference here, £0.6m." Then he was asked: "Have you the breakdown of that?" and he said: "The breakdown of that has just been handed to me. The figures I originally had when I compiled this table show that the £0.6m. is constituted as follows: There was a reduction of roundly £1m. on buses due to lost mileage, and an increase of roundly £600,000 on our railways due to a transfer of traffic, we think, from the bus services which during 1960 were suffering from a very heavy staff shortage, which produced an unpleasant degree of irregularity. Those two figures are the main constituent elements of the £0.6m. shown in BH 21. (Q) Minus £1m. plus £0.6m. gives me minus £0.4m.; is that right? (A) I rounded my figure of £1m. off. There was an estimated loss of £1m. on Central buses, and there is another £200,000 on trolley-buses, that is £1,200,000, and then you get the £0.6m. addition on the railways which, I think, produces a net reduction of £0.6m. as shown in the Exhibit".

So that for 1960 one gets the gross loss of £1.2m. less

3 March, 1961]

[Continued]

the increase on the railways of £0.6m., giving a net of £0.6m.

Then in question 1973 on page 161 Mr. Harbour attributes a substantial part of that loss of 1.2m. to disruption of schedules: "Would you attribute a substantial part of that heavy loss on your road vehicles of £1.2m. to this disturbance of schedules?", and his answer is: "To this lost mileage, yes".

Then in question 1989 Mr. MacLaren says: "I would like just to take your mind back one step to AE2, line 11—that is on page 43—"Here we see a comparison between the 1959 budget and the actual, and there is an increase in the overtime and rest-day working over the budget of £0.6m., and between 1959 and 1960 an actual increase of £0.4m., and you are now saying that that figure will go up again? (A) I think it will. (Q) And you are paying that price, are you, in order that your schedules may be kept up? (A) No, in order that we may give London an adequate bus service. (Q) You cannot have it both ways, Mr. Harbour; you have agreed with me that if the bus service is unreliable, those are exactly the conditions which lose traffic? (A) Yes. (Q) And it is unreliable because you have not the staff to operate it and for no other reason; is that right? (A) Ignoring the effect of traffic congestion, that is right. (Q) Yes, I follow, but that is right. Is it not important, therefore, that your services should be scheduled so that the staff you employ can in fact operate them without further running down of services? (A) That is important and that is our objective. (Q) Very well; is it not possible of achievement? (A) I think it is. (Q) Do you expect to achieve it? (A) We do. (Q) Would you expect from that a substantial benefit in receipts? (A) I would expect some benefit from it".

Then on the next page my learned friend said at question 1997: "We know the loss; it is £1.2m. less, as you think, and it may well be so, the transfer to the Underground. What would you expect the benefit to be? (A) I am not following your question as to whether you are asking me to quantify the additional receipts that London Transport would receive if they worked a full scheduled service. (Q) No, not at all; I am asking you what benefit you would expect to achieve from running regular schedules instead of what, as everyone knows, has been the experience of London Transport in 1960, services that are badly run down? (A) We would expect an increase in our revenue. (Q) Of how much? (A) We would expect also a loss of some of the revenue which has gone to the Underground system as a consequence of the deficiencies in the bus system. (Q) Yes, but how would you quantify it? (A) I should want to see this happen before I can quantify it; it is an extremely difficult thing to do. In submitting my estimate of budget receipts for 1961, I did explain that I was working largely in the dark, and this is one of the most difficult propositions to quantify. (Q) You see, it is not as if it were a low figure; it is a figure of the order of £1.0m.? (A) It might be. (Q) And you have very carefully quantified for us figures of much small dimensions than that. (A) Yes—in retrospect. (Q) No, in forecast. In all fairness to yourself, Mr. Harbour, you have shown us how one year might be balanced with another, and how to take the assessment forward into the next year. (A) I have done my best, yes. (Q) I am sure you have. Now here is a large figure which you have found from experience has happened; you have your minus from 1959 to 1960, and now I am asking you for an estimate for the plus? (A) I am afraid I cannot help you. (Q) But there will be something. (A) Yes, the figures I have submitted here. (Q) Yes—there will be something? (A) There will be something, and it might be substantial. It might be in the order of £1.0m., but I doubt it".

So one is left with this, Sir, that owing to the staff shortages there was lost mileage of a substantial order in 1959 and 1960; we have Mr. Harbour's evidence that the staff position has improved and is continuing to improve; we have in the estimates allowances for paying rest-day working and overtime to enable the schedules to be maintained and a proper regularity of services to be provided; we have Mr. Harbour's evidence that that is the objective, that it is a possible objective and that it is one he expects to achieve—that is in question 1995—and we have him conceding that from that it follows

that there will be a substantial figure, and I think he added the £1.0m. which was put to him; he said: "There will be something, and it might be substantial. It might be in the order of £1.0m., but I doubt it", and that is not reflected in any way in the receipts for the future year. The lost mileage comes into account; the added expense of the overtime comes into account but there is no allowance to be made for the prospect that they will be able, both by increased staff which they are now getting and by the overtime and rest-day working, to work better schedules, which will produce something which might be substantial and which might be of the order of £1.0m.

(President): You have, of course, figures for the receipts in 1961, so far as we have got?

(Mr. Goff): Yes, Sir.

(President): We have actuals.

(Mr. Goff): Yes, but one is translating that into terms of the future year.

Then there is the other side of the picture, whether £2.1m. is really required. Here we come back to what I said when I began today, that that is a question of London Transport having a proper working surplus.

Mr. Hill has given his evidence, in which he said that he is clear that it should not be less than £1.0m. but that it should not exceed £1.5m. I rely there upon the evidence which he gave on the Ninth Day, question 2782 to 2792, on page 190. I said: "I want you now to direct your mind to the question of the London Transport Executive reserves. Have you any view on that subject as to the desirability of aiming at a reserve, and if so about its size? (A) Yes. I have no new views, they are only the views that I have expressed before, and, briefly, they can be put in this way: (1) That, of course, reserves are always desirable things if you can get them painlessly or without causing too much pain. I think we all like to have reserves, and, certainly it would be a very good thing if London Transport had sizeable reserves. There is no question about that. (2) If, however, you can only get those reserves by losing your best reserve of all, namely your custom, quite obviously there is a point where it is undesirable to sacrifice your custom for the purpose of just having more money in the bank, and it is a matter of judgment where that point arises".

Then I asked: "You have considered the evidence which has been given by the British Transport Commission and you have considered your own evidence. What, in your opinion as a financial adviser, would be the right figure to aim at as regards London Transport Executive having regard to the actual facts with which we have to deal? (A) Well, I cannot think that because of the sacrifice of custom it was desirable to aim at anything above £1½m. I realise this is not a mathematical calculation, it is a matter of judgment".

Then I said: "But as a financial adviser, that is your opinion?", and the answer is "Yes". That is a matter of opinion, and it may be said that the interim Order of the Tribunal envisaged a surplus of £2.5m.—you have yourself observed that in the course of today, Sir—but times have changed since then, not for the better; there have been these increases and quite apart from that aspect it comes back again to the Tribunal. In our submission it is a matter of urgent consideration as to how far further custom is going to be lost by increases. Increases to meet increased working costs are no doubt inevitable, but when it comes to increases to provide a surplus, in modern conditions one should aim, in our submission, at a minimum of surplus because one must aim at a minimum injury to goodwill and a minimum loss of custom.

My learned friend has reminded me, and I am much obliged to him for it, that I should have read a little further when I was reading at page 190. I stopped at question 2791, and I should have read question 2792: "That is an opinion given, is it, having regard to—"

(President): That is his experience with the Traffic Commissioners of public service vehicles; I do not think that matters very much, Mr. Goff.

3 March, 1961]

[Continued]

(Mr. Goff): But it is something he met with in actual experience; it is not purely theoretical. He does say: "My advice to municipal undertakings has always been to aim at only reasonable reserves".

(President): It would be my advice too; if it comforts anybody, I advise anybody to do anything that is reasonable.

(Mr. Goff): Yes, Sir, and we submit that no less than £1.0m. and no more than £1.5m. is reasonable in the circumstances.

Having dealt in those two ways with the question of Central Charges and the question of improved revenue by better maintenance of schedules, and with Mr. Hill's views as to what is a reasonable reserve, I would ask you now to consider the figure of loss by the introduction of the London County Council scheme and how that fits in with the estimates. You will remember, Sir, that the aggregate figure of loss in respect of the L.C.C. scheme came out to a sum of £873,101; that has been carried out to the extraordinary limit of an odd £1., but there it is; and you will remember how it was arrived at.

There were the tables LCC1 and LCC2 at pages 128 and 129, which gave detailed calculations for the road services and the Underground. Then we took a percentage for the coaches; that was a percentage of the actual figures. Then we added to that an approximate figure for the loss on season tickets and you will remember that all the figures were accepted by Mr. Harbour in the course of my cross-examination, so that it was unnecessary for me to lead any evidence on that point; so therefore the figure of £873,101 stands, with this small qualification in our favour, that Mr. Harbour agreed that that figure was a little on the high side because there were no allowances in our calculations for the child element and therefore the loss would be slightly less than appeared on the face of the calculations.

I do not think I need read the passage where that occurs, but the reference to it is on the Seventh Day at questions 1769 to 1771. We say that that is well covered on the figures in this way; first we have the savings which I have been arguing before you on the Central Charges calculation which we put at £0.5m. or at least £0.2m.; then we have a saving of £0.5m. or £0.6m. as a minimum, if the reserve at which the Transport Commission were aiming, namely £2.1m., be reduced to a maximum of £1.5m. Then over and above that we get the prospect of increased revenue from better schedules, the point which was developed in cross-examination by my learned friend Mr. MacLaren.

That leaves for consideration the question of London Lines, and there we say that our scale should be introduced as to day returns on the basis of assimilation, because as you well know the day returns were introduced in the fourth schedule of the Scheme to assimilate the London Lines to the buses and the Underground.

We say that the proposed increase of London Lines season tickets should not be allowed at all. Our reasons for that are these: First you will remember that no other increase from 1952 onwards has produced a result in which the net yield has been such a small proportion of the gross; that is set out in Table SWH 9, which is on page 153 of the Seventh Day.

It was put to Mr. Harbour in cross-examination on the Eighth Day at question 1839; there was some discussion about whether it was 3.11 per cent or 3.03 per cent. and then at question 1839 I say: "Would you agree that this table, SWH 9 column 7, does show that no other application for season ticket increases from 1952 onwards has produced a result in which the net yield has been such a small proportion of the gross?" (A) I would agree that. (Q) And it is the fact, is it not? It not only appears on the table, but it is the fact? (A) Yes. (Q) So, in other words, that means so large a loss of customers for so small a return; is that the right way of putting it? (A) I do not think it is. The loss of customers is 3.0 per cent.; I do not describe that as 'so large a loss of customers,' but it is a question of degree."

There is the question of degree, that the fact is, and it is acknowledged to be, that no other increase from 1952 onwards has produced a result where the net is so small a

proportion of the gross, and it is quite clear that it represents a 3 per cent. loss of custom.

It appears from Mr. Hill's evidence on the Ninth Day at question 2726 that the first increase under the Order in the Spring of 1960 produced a loss of 3.0 per cent. and the second increase of January, 1961, will produce a loss of a further 2.0 per cent. and now they are budgeting for a loss of 3.0 per cent. more, so that is a total of 11 per cent. in that short time.

I am told, Sir, that my arithmetic is as bad as usual; my learned friend points out that it should be 8 per cent. — that is the loss in that short period.

Then, Sir, you will remember this further factor that we put forward and which we respectfully submit is right. That is that it does not really stop with the loss of custom on London Lines because this loss of custom represents people who either do not come to London at all or who come to London by other means of transport. If they do that then you will lose the transport on the buses and the Underground which you can otherwise expect when those people who come up on London Lines are left at one of the London termini and have to get from there to their place of business. There may be some who would walk, but many of them obviously would go on by Underground or bus.

If they do not come at all obviously they would be lost; and if they come up by scooter or by car then they will take their scooter or their car as near their place of work as parking space permits and it is extremely unlikely, in our submission, that they would then require a bus or the Underground to get from the place where they left the vehicle to their office.

Then it is to be remembered that this money is in our submission not required to meet rising costs or wage increases; it is going towards producing not a real reserve but some surplus which will be swallowed up in the general deficit of British Railways, and although you have made your observations on that and have been good enough to tell me what is in your mind about it this morning, we do still say that whether or not season tickets should be increased to produce this small yield with a heavy loss of custom is a reasonable thing, what has to be considered against the background is that you cannot build up on London Lines a real reserve in the sense of actual money that you have in hand for use; it only goes to reduce, not the deficit on London, but the general deficit on British Railways.

I have the reference to Mr. Winchester's evidence where he conceded that that would in fact be so; I do not think I need read it out, but it is on the Fourth Day at question 184 to 188, and that it is so in fact I respectfully submit is self-evident.

(President): One only has to look at the accounts.

(Mr. Goff): Yes, Sir.

(President): But the same is true for the surplus of London Transport; it will in fact go to reduce the Commission's deficit.

(Mr. Goff): That is true, Sir, and that is why one is really getting a little artificial in the question of building up reserves. The important question is how much custom will be lost, and it should be kept, in our submission, at a minimum so as not to injure the goodwill of the public and not to lose custom, just to get a surplus which is unreal, not only for London Lines, but everywhere.

Quite apart from that aspect of the matter of what the surplus will be if produced, in our submission on the figures as they stand, there is once again sufficient to meet the loss which would be made by abandoning this season ticket increase and the further loss of £100,000 which is the loss on day returns by the introduction of the L.C.C. Scale. We did not in fact put forward any figures for that particular element of loss, but Mr. Harbour did say that it was his own figure, and therefore it probably will not be quarrelled with; that appears on the Eighth Day at Question 2256. I need not read that question, Sir; I merely pause to turn back to Exhibit BH 28 on page 56, so that the Tribunal will have in its mind what the direct loss

3 March, 1961]

[Continued]

of abandoning the season ticket proposal amounts to, and that appears in columns 3 and 4, line 3, under the heading (B).

You will remember that it was: Gross £770,000; net £280,000, so that there would be £280,000 lost there if it were abandoned altogether, plus £100,000, which is the Transport Commission's own estimate of the loss on the introduction of the L.C.C. Scale for day returns which gives you £380,000, and that is covered therefore by the half-million pounds which appears as a surplus on their own figures.

But, Sir, you will remember that we also challenge the figures on this part of the case. This was Mr. Winchester's evidence; that is at page 21, and you will remember that he started with a figure of £29.0m., which he took for expenses for 1959. That starting figure was only partially up to date as a costing exercise, and that is our first criticism of Mr. Winchester's figures. You will remember that it was largely based on an old Exhibit WW 1 of 1954, and Mr. Hill—

(President): Was it 1954, Mr. Goff?

(Mr. Goff): The Exhibit probably was not 1954, but the calculation was.

The Exhibition was in 1959, but it was a calculation which was made in 1954; I think that is the position. It is on page 21 of the previous proceedings, Sir.

I was about to refer you to what Mr. Hill said about that on the Ninth Day at Question 2750; it is in the second column of page 188. At Question 2749 I said: "Have you some criticisms to make of his figures? (A) Yes. (Q) What is the first of those? (A) The first is this, that the whole of his presentation as to the cost of London Lines and as to the share of the increased wages attributable to London Lines, and as to the share of the Central Charges attributable to London Lines, the whole of that calculation in each of those three elements, depends on acceptance of his costing exercise for London Lines partly undertaken in 1954 and partly undertaken in 1958-59. You see, he starts with the figure of £29m., which is the costing exercise figure. (Q) That is taken from WW 11? (A) Yes; and as was shown at the 1959 hearing, he did not really do an up-to-date costing in 1959, he did a partially up-to-date costing but used some of the elements in a way which I thought was rather arbitrary from his earlier exercise in 1954. The point I want to make there is that the first element in this presentation of the London Lines' budget, if you like, depends entirely on the costing exercise acceptance of the £29m."

(President): Yes, it does, but Mr. Hill at the previous Inquiry had put in some calculations of his own about the costing of London Lines. I will not say what we thought about them, but we will look at them again.

(Mr. Goff): Yes, Sir; you will see them again, and it appears here, of course, that there certainly was not any fresh up-to-date costing. Mr. Winchester accepts and starts off with the figure of £29.0m.

(President): I am convinced that you cannot get a figure.

(Mr. Goff): Of course, that does not entirely turn against me; it goes to show how unreliable the whole exercise is. But at any rate, they accept that figure.

Then he makes calculations for the wage rates and price-level increases, and also for the share of Central Charges, and you will remember that that was done by taking a fraction of which the numerator was 29 and the denominator was 43.

(President): The working expenses of British Railways as a whole.

(Mr. Goff): That is right, Sir—which he expressed as $\frac{8}{13}$ per cent. of the total cost although actually it was $\frac{5}{85}$ of the £43m., which was the wage rates and price levels increases for British Railways. But it does not matter which way you look round it; it was either $\frac{8}{13}$ per cent. of the total cost or $\frac{5}{85}$ per cent. of the wage rates and price levels increases, and you will remember that Mr. Hill says that that is too high a proportion and that it ought to be 5 per cent. His evidence on that is, no doubt, fresh in your mind. It is a longish passage again—the reference to it being the Ninth Day, and it begins with—

(President): Question 2763, is it not?

(Mr. Goff): 2749 I had noted as the actual beginning. It would be later than that, no doubt, but it is earlier than 2763 and it goes through to 2788. It really begins at 2755 at the top of page 189 and goes through to 2788 on page 190.

He deals in that passage with the percentage, not only as applied to the wage rates and price levels increases, but the same thing in respect of the Central Charges, and he would adopt 5 per cent. in both. You will remember that he gave evidence of the occasions upon which 5 had been adopted in the past and in cross-examination it was put to him did he say that that was the laws of the Meads and Persians and therefore immutable, and he said no he did not and explained that 5 per cent. appeared to be the proper figure because nothing had been adduced to suggest to him that it ought to be changed. It was not that it could not be changed, but there was nothing to suggest to him that it ought to be changed.

If you accept that proportion instead of the $\frac{8}{13}$ per cent., that produces a saving of £0.3m on the matter of extra costs and £0.4m on the matter of Central Charges, which is an aggregate of £0.7m. and goes a very long way indeed to meet the figure with which one is dealing.

But he also put it another way which, I respectfully submit, is very pertinent, and he said this: Mr. Winchester says that the costs have gone up by £2m. We say it is only £2.2m. because we write-off the £0.3m. by taking the different percentage; but even taking it at his own figure, he is saying the costs have gone up £2m. but the Stage 1, 2 and 3 increases together are £3.4m. net and even Stages 1 and 2 alone without Stage 3 are £2.8m. That comes at the very end of the other passage which I quoted to you, because it begins with the question where I said leave off, which would be Question 2782, and I would like to read to 2785.

Question 2782: "So that would be a saving of £0.7m."—that, of course, is the addition of the £0.3m. and the £0.4m.—"Yes. So if one were employing the 5 per cent. for the increments, or even if one were starting at the £29m. for want of a base, the result would have been not a surplus or subsidy to British Railways of half a million pounds, but one of £1.1m. But I think this can really all be summarised very shortly in this way, that on Mr. Winchester's own showing the increased cost by reason of wages since 1959 only amounts to £2m.—I would say £2.2m., but he says £2m.—and yet the effective increase in season-ticket rates in the three stages of these applications—that is, April last year, January this year, and the further one in contemplation—is to increase the fares after the discount by £3.4m.

Question 2783: "That is Stages 1, 2 and 3? (A) That is Stages 1, 2 and 3.

Question 2784: "What is the figure taking Stages 1 and 2 only? (A) £2.81m. £2.8m. in round figures, is the value after discount of Stages 1 and 2 as affecting London Lines.

Question 2785: "I stopped you when you had drawn attention to the £2.5m. or £2.3m. figure which you say should be £2.2m., and you had drawn attention to the £3.4m. for the total increases. What observation were you going to make about that? (A) It is this, that taking these three stages together and comparing the position with 1959, what Mr. Winchester is saying is: 'My costs have gone up by £2m. since 1959, and I am putting my fares up by £3.4m.' In other words, the whole object, the combined accumulative effect of these three increases, is to improve the position of London Lines compared with what it was at the close of the 1959 Inquiry by nearly £1m., enough to cover costs and another £1m. in excess; and if one went further and accepted my view that one should use the 5 per cent. and disregard the costing exercise because of criticism that could be made, it would be another £0.3m. as well."

There is one general observation to be made with regard to this matter of London Lines, that indeed this is not, as London Transport is, a calculated yield to meet an accurately calculated requirement. It is true that Mr. Harbour said that he accurately calculated the yield of the proposed changes so far as London Lines are concerned, and they appear in his table BH 28, from which one gets

3 March, 1961]

[Continued

that £770,000 gross and £280,000 net, but the expenditure has not been accurately calculated and I think you said really one cannot calculate that properly. But what is significant, in our submission, is this, that Mr. Winchester said he would not be disturbed if his calculation was £1m. out.

(President): Either way.

(Mr. Goff): Either way; that was Day Four, Question 44. Of course, if the proposal as to London Lines' seasons were to be abandoned, I suppose it would be said that you cannot do that because it cuts across the process of assimilation. Our answer to that is that they have said that assimilation was only to be taken as a *prima facie* guide unless it comes out of line, and we say that that does come out of line when you find that you are losing 3 per cent. of your custom to get such small net yield compared with the gross and to produce £280,000 only.

(President): Then we should have three season ticket series, would we not?

(Mr. Goff): Yes, I think we would. But, of course, they have already embarked upon a proposal to have two, unless, of course, one also abandoned the comparable season ticket changes as to the London electric railways as well.

(President): The whole of them?

(Mr. Goff): Yes. Of course, we are only dealing with scale B and you will remember that the net yield proposed was £150,000 and if the L.C.C. Scheme were adopted it was agreed that £50,000 would be lost. So that that would be a further £100,000 which would be involved if that were lopped off the changes as to London Transport.

(President): There is a real anomaly to be faced if one has a different season ticket rate for the part of a main line within the London area from the part of the main line outside the London area, is there not? You would find Mr. Jones starting from just inside the London area paying one rate for his season and Mr. Smith starting from just outside paying a different rate.

(Mr. Goff): I do not want to take a bad point, but I think that is inherent in what is proposed anyway, because it is proposed to have one scale of season ticket rates for London Lines and a different scale for the rest of British Railways.

(President): I know, but the differences would be much greater would they not? I can well understand your proposal to cut down London Transport seasons and cut down British Railways' London Lines' seasons to the same extent because then the two people would be treated alike.

(Mr. Goff): Yes. As to that, I do say, first, of course, that the difference between London Lines' charges and the rest of the British Railways' charges would obtain whether or not what is now proposed goes through because it is proposed to have two separate scales. That is not an objection which goes to what I am proposing. The objection which might be levelled against what I am proposing, I apprehend, is that you would get a difference between British Railways' London Lines and the London Transport electric railways. There we say, first, that that objection should not be allowed to prevail, because that is a case where assimilation should not be adopted because of the criticisms which we level against the proposal as to London Lines. But alternatively we suggest that assimilation should be effected by not carrying the proposed season ticket changes into the London Transport electric railways either, bearing in mind that the sum involved there cannot exceed £150,000 because that is the estimated net yield as appears from BH 28, and bearing in mind also that £50,000 of that in any event is involved in the L.C.C. proposals.

(President): There is something to be said for leaving the whole of British Railways to be governed by the same conditions, except, possibly, for a compulsory day return.

(Mr. Goff): Yes, but that is not what is proposed.

(President): No.

(Mr. Goff): That might well be. That, again, is another one of the many possible ways of doing things, but we say that one should do the simplest thing here: one should

consider British Railways London Lines' proposal and, for the various reasons which we have given, we submit it should simply be cut out. We say one should not be afraid of doing that notwithstanding that it cuts across the process of assimilation, but if assimilation is to be maintained here, then we submit the right way to deal with that is to cut it out of the London Transport Executive also, bearing in mind the figure there involved is £150,000 at the maximum, of which £50,000 is already involved in the L.C.C. Scheme.

(President): That, of course, will be greeted with a cry of delight by the season ticket holders and shrieks from all persons who do not travel by season ticket.

(Mr. Goff): Well, Sir, season ticket holders have, of course, suffered a number of increases in the past. The fact that they might be delighted by it even though ordinary ticket purchasers were not is not, I should respectfully submit, an answer to the suggestion.

(President): Of course, ordinary ticket holders have been subject to increases in the past, have they not?

(Mr. Goff): Not to the same extent, I think I can safely say.

(President): I am not certain about that. The Select Committee examined a table produced to them showing the changes for the different kinds of fares. I do not know whether the arithmetic was right.

(Mr. Goff): It is a little bit of an off-hand answer, but I think that is right, because one knows that on the ordinary fares of British Railways there is still a headroom which has not been taken up, whereas with the season tickets of London Lines all the increases authorised have, in fact, been implemented.

For those reasons we submit, as our primary case, the L.C.C. half-mile and single-stage charging. That is how I began and that is really how I end. That is our main case. So far as London Lines are concerned, we have submitted that for the reasons I have given those season ticket increases should not be allowed at all, but if they were, then we would suggest that the L.C.C. Scheme ought to be carried in there as well.

I think any attempt to carry the matter further would be merely repetition, Sir.

(President): We are greatly obliged to you, Mr. Goff. I hope I have not unduly interrupted your address.

(Mr. Goff): No. If I may say so, with respect, I have enjoyed the battle.

(Mr. MacLaren): If you please, Sir; I appear for the County Boroughs of West Ham, East Ham and Croydon, the only three County Boroughs, I believe, in the London area, and for the Boroughs of Leyton and Walthamstow. These local authorities have residing within their areas, according to the latest count, just about three-quarters of a million inhabitants.

On behalf of those I represent I shall seek to persuade the Tribunal, first, that there is no need for a further increase in fares other than those now authorised under the existing orders during the calendar year 1961. I shall seek further to persuade the Tribunal that the full Scheme as proposed should be reduced in some measure of the order of £1.

Before coming to show how those calculations arise, I would like first to say just a word or two about the general background against which this Inquiry has taken place. First of all, it is quite plain, as has been referred to many times, that the British Transport Commission cannot, as matters stand now, hope to balance its income and expenditure account. It is not, in fact, at present meeting its working expenses. Equally it is well known that those branches of its activities which are bracketed together as "other activities" to distinguish them from British Railways have contributed surpluses over and above their allotted contribution to Central Charges according to the allotment made by the Commission itself.

(President): Have the Commission allotted contributions to Central Charges to all the other activities?

3 March, 1961]

[Continued]

(Mr. MacLaren): I guessed that simply by looking at the net receipts of the other activities in a year.

(President): All that has been allotted is the £42m., and the balance is the £6.18m., or whatever it may be, as to which they might just as well have said "not allotted."

(Mr. MacLaren): I accept that at once, Sir.

(President): We have been told, of course, that by agreement between the Commission and London Transport they have agreed figures for an allocation, but the only allotment in the accounts, so far as I know, is the £42m. for British Railways, a figure which I do not agree with.

(Mr. MacLaren): If you please, Sir. This may well be so, but it looked to me, looking along the line of net receipts on IV-1 of the 1959 Accounts on page 16(a), that the net receipts of the other activities were considerably in excess of the £10m. given as the surplus.

(Mr. Fay): That is shown on page 3.

(Mr. MacLaren): That I follow; I am looking at the net receipts at the moment. At a glance one sees that it is £3m., £6m., nearly £4m., £2m., and £3m., and then a relatively small deficit; and that, of course, totals considerably more than £10m. How the £10m. surplus is arrived at, I do not know. Something is deducted from these net receipts first, that is evident.

(Mr. Fay): That is on page 1. What is deducted is the rest of the Central Charges.

(President): Account I-1 is what you want to put, is it not?

(Mr. MacLaren): It is the surplus over and above the balance of Central Charges; that is exactly what I wish to put, I am much obliged.

(President): The only reason I interrupted was that you seemed to be saying there had been an allocation in respect of the other activities.

(Mr. MacLaren): That would not be right; that I accept.

(President): And as we have to deal with some of the other activities in this Inquiry, I thought we had better find out the truth.

(Mr. MacLaren): Certainly, Sir. Just looking at this over-all picture, if I may, the balance of £10m after discharging the balance of Central Charges makes it very plain that the difficulties, of course, are located with British Railways.

I think it would be reasonable also, against this background, to take some account of the views expressed by the Government in its White Paper. It would be quite wrong to try to anticipate what views Parliament may take of an expression of opinion by the Government in this matter, but the little table which is put on page 10 shows very plainly the kind of thought which is governing the view of the Ministry at the moment, where it is shown that so far as the allocation of the existing capital liabilities is concerned it is proposed, in relation to British Railways, that £400m. should continue as capital liability to be met by British Railways, £400m should be written off, and £800m. placed on suspense with no immediate obligation on British Railways either to repay it or to pay any interest on that sum put on suspense.

I think it would be fair comment on this view which has now been taken by the Government that the British Transport Commission has, at any rate in respect of British Railways, been over-loaded with financial charges and that the only way to assist them in this respect is to make this very severe reduction in their capital liabilities. Whether this will indeed happen or not is, of course, a matter for Parliament; but it does give an authoritative opinion in support of the view that the duty put upon the Commission by the Act of Parliament of 1947 to make their charges sufficient to meet their working costs and provide reserves is regarded as thoroughly impracticable and a dead letter. It must at once be admitted that these proposals of financial change in the capital structure of the undertaking are very drastic indeed.

Having regard to that general state of affairs, the state

of finance and the cost of finance and the state of the revenue account, it is valuable, as it seems to me, to take into account the charging powers of British Railways outside London.

(President): Of course, Mr. MacLaren, one has got to bear in mind that under the White Paper London Transport is to continue as a separate body and is to continue under the obligation which we here treat it as being under of having to pay its way.

(Mr. MacLaren): That is so; that I do not doubt.

(President): What one nowadays has to call the "implementation" of the proposals which are summarised in paragraph 43 of the White Paper will make a global approach impossible in any future Inquiry and we shall be remitted, presumably, to a specific approach of considerable complexity.

(Mr. Fay): I hope we shall be told the end product, Sir.

(Mr. MacLaren): No-one knows what the resulting annual charges of the implementation may be, Sir, and it would be idle for me to waste my time guessing. I accept at once, of course, that the principle laid down here is that London Transport shall meet whatever charges are allotted to it on this dispensation.

It might be convenient to change the order of what I was about to say and to look at paragraph 57 of the White Paper, which will be well known to you, Sir, on commercial freedom and just note the exact view expressed there: "The Railways will, therefore, be freed from statutory control over their charges except for fares in the London Transport area where the London Transport Executive and British Railways have a virtual monopoly of public passenger transport. This change will substantially reduce the functions of the Transport Tribunal."

(President): I should not have thought it would, really.

(Mr. MacLaren): They would be about the same, I should have thought.

(President): We spend very little time, really, upon British Railways outside London and we always have spent very little time.

(Mr. MacLaren): I read that because of the view, again an authoritative view, expressed by the Government on the special functions of the Tribunal in relation to the London area. This does seem to me to be important. The Tribunal stands here in the London area to place that discipline upon the transport undertakings which outside London is placed by competition. This seems to me to be really the major function of the Tribunal in relation to the London area.. It therefore becomes very relevant to see what the situation is under the spur of competition outside the London area.

Mr. Dickson was good enough in his evidence to make that very plain, if I may turn to page 29, when he started discussing the early morning fares: "Firstly will you deal with the early morning return fares; when they were increased in May, 1960, on British Railways outside London, did they follow the same pattern as those of London Transport? (A) Yes, it was the same scale; it was on an average, I should say, about 12 per cent. above the scale already in force.

"So far as the scale which was operative throughout British Railways was concerned, was there any other range of fares? (A) Yes, there was already a range of cheap fares outside London, and in many cases they were lower than the early morning fares.

"Generally speaking, which became the effective fare? (A) It is extremely difficult to answer that question, because the cheap fares are governed by the competitive road fare, and there may be cases where the cheap fare undercut—I must talk in the past now, because they are abolished—the early morning fares; but in other cases the early morning fares were lower. I should say in the main, bearing in mind that there was quite a lot of early morning revenue outside London, the early morning fare was probably higher than the cheap day fare, but not in all cases by any means."

Then there was a discussion about the position at Sutton Coldfield, and if I may pass beyond that: "Can you give

3 March, 1961]

[Continued]

any estimate of the financial effect of increasing early morning returns? (A) Outside London the effect of that would be negligible."

This is a startling proposition, because what it is saying is that day return travel outside London is cheaper than early morning travel would be, or rather is, in London where those tickets prevail or did prevail—and I think they still do. But it is cheaper than the early morning rate.

If I could turn over and deal with season tickets, they are dealt with at the top of the second column on the next page: "Do you find that good use is made of the season-ticket facilities? (A) I rather hesitate there, because it varies between different parts of the country. Good use is made of the season ticket facilities, say, from outside London to London, but in other parts of the country, as we noticed at Sutton Coldfield, the season ticket is not attractive because there is a cheap day fare which is cheaper.

"I suppose you endeavour to provide either a season ticket facility or a cheap day facility in accordance with your competition? (A) Yes, but as long as the season ticket is on a National Scale, obviously there are cases where the scale is too high." I do not think I need trouble reading any more, but that shows again that except where special rates of season tickets are available, season ticket travel outside the London area is again governed by this cheap day fare.

(President): There is an intervention of mine that I can understand and which seems to me to be right a bit beyond that.

(Mr. MacLaren): "I do not quite understand why a scale of maximum charges should be too high; you can lower them if there is any particular reason to do so? (A) You can, Sir, but it is not an easy exercise."

The point—which I do not want to labour because it is well-known—is very briefly this, that the discipline of competition outside the London area is to make day return travel, whether in London it would go by day return ticket or by season ticket, at a rate which is not very far removed from early morning charges in very many cases. This, of course, is the hard fact of the matter, but there is an interesting aspect to this also: the competitors are the road operators and there seems very little doubt from looking only at the Commission's accounts for the year 1959 that at any rate the road operators they own have done very well though they are charging fares which have this drastic effect on rail fares. We have the picture, Sir, of fares in London being very substantially higher, by about the difference between an early morning ticket and an ordinary ticket, than the fares generally prevailing in many areas outside the London area for day return travel.

(President): We also have the picture that on the lowest possible estimate, that is to say Mr. Hill's, the London passenger has not been paying his way for, I think it is, twelve years, is it not?

(Mr. MacLaren): I do not know the exact number, Sir, but I can find out. Mr. Hill calculates a deficit after charging Central Charges.

(President): I was not thinking of the accumulated deficit. I was thinking of the number of years in which they have, in fact, not been paying their way.

(Mr. MacLaren): I cannot give you the answer quickly.

(President): That, perhaps, makes it less remarkable that their fares are higher than elsewhere, does it not—or less noteworthy?

(Mr. MacLaren): Does it, Sir? I wonder. There is always the other view, that outside the operations are run at a much lower cost per passenger mile. There are two ways of looking at this.

But I am only calling attention to it because it does import into the picture, I think, something that has to be weighed. Outside London this is the effect of competition from operators who are not losing money, who are paying their way and paying a surplus to the Commission after having discharged the whole of the Central Charges. The competition is coming from an operation of that kind.

Inside London that competition is not present. I am not suggesting that if it were present they could run, perhaps, at so cheap a rate, we do not know; but inside the London area the only restraint that can be put upon the charging powers of the Commission is the restraint exercised by this Tribunal.

(President): And that is by fixing a maximum.

(Mr. MacLaren): Yes, Sir, but to what purpose? To this very target my argument is addressed to. I think in fairness the British Transport Commission have approached this Tribunal so far as the London area is concerned quite openly and frankly with this same view in mind. They put before you, because they must under the Act of Parliament, a Scheme for maximum charges, but they are perfectly fair and frank in saying that they are the charges and they are asking this Tribunal to regulate the charges in practice by applying for maxima which they intend to implement.

(President): Not to the extent of £2.1m. in 1962. That is to realise a surplus, is it not?

(Mr. MacLaren): What they are seeking is a maximum scheme from the Tribunal that will produce what they feel is necessary but by a system of charges which they intend to implement. They are in no sense headroom charges at all. I think, in fairness to the Commission, they have taken the view which I am suggesting to be appropriate, that the Tribunal's function here in this area of London Transport is indeed to place a restraining hand on the fares that are actually charged. That is the view which I am sure the Commission has taken from the way they have presented the cases since the 1953 Act came into force, and it is certainly the view which commends itself to those Objectors I represent. If that view be right, it does influence the attitude which the Tribunal may have to take over particular charges and over the wisdom of certain increases.

(President): Of course, the Act must mean the same thing for all charges, must it not? You say in London the Act should be construed, when it speaks of our fixing maximum charges, as meaning charges which if put into operation will produce revenue which is immediately required?

(Mr. MacLaren): I am saying this, Sir, that the Act means that the Tribunal can only make an order which has the legal effect of fixing maximum charges.

(President): You mean it must use the words.

(Mr. MacLaren): And have that effect. The order of the Tribunal does, in fact, fix a maximum charge, but whether the Tribunal, in the exercise of its discretion, leaves to the Commission a headroom such as the 3d. single maximum that was placed on the main lines outside London or the proposed season ticket headroom scheme on the one hand, or whether it fixes, as it is invited to do by the Commission, maximum charges which will, in fact, be the charges, that is an exercise of discretion without changing the wording of the Act. After all, this is a place of judgment and that involves discretion.

(President): Yes, but what we have got to do, assuming that the obligation in the case of London is the same obligation that placed upon the Commission as a whole, is that we are told we must fix charges which will enable the Commission to pay "X", "Y" and "Z", and the Act seems to contemplate, does it not, that the Commission is also to be left an element of discretion with which we are not to interfere? If we fix charges which are only sufficient to discharge the Parliamentary obligations, we are leaving no discretion in the hands of the Commission except a discretion to depart from the obligation which Parliament has said they ought to perform.

(Mr. MacLaren): I always understood, and it has certainly been advanced by the Commission's witnesses in my recollection, that if the Commission reduces fares below, to use a neutral phrase, the general standard rate that is being charged, they do so because such a reduction will either hold the traffic that is sliding away or will in fact, by giving a reasonably facility, not lose any net revenue. So even though your order for maximum charges is judged to be such as would produce the revenue required and no more, that in no way prevents the exercise of commercial

3 March, 1961]

[Continued

judgment by introducing cheaper fares which at least hold the revenue and may well increase it.

(President): On that view of the facts our duty would be to fix the lower fares as being the maxima.

(Mr. MacLaren): I think that could be argued, but no-one is putting it before you now. It could be said, of course, that leaving the Commission unshackled as to any reductions they wished to make in fares for special reasons

is entirely met by fixing maxima such as the Commission are now asking for in this particular case in the London area. I think I am only seeking to put before you what is the Commission's own view.

(President): I quite agree. No-one has ever fully argued before us what are the criteria reference to which maxima are to be fixed. In the Freight Charges Scheme a criterion was put before us which we accepted, but not in the case of Passenger Charges.

(Adjourned to Monday morning at 11 a.m.)

CORRIGENDA

Proceedings Fourth Day—Monday 13th February, 1961

- Page 59, column 2, question 5, line 3—for "£32m." read "£32.9m"
- Page 60, column 1, question 26, line 4—for "estimation" read "intention"
- Page 62, column 2, question 113, line 7—for "with that" read "was that"
- Page 62, column 2, question 117, next last line—for "Mr. Richards" read "Mr. Winchester"
- Page 63, column 2, question 138, line 10—for "economics" read "economics"
- Page 63, column 2, question 143, line 11—for "from the" read "and"
- Page 67, column 1, question 224, line 1—delete "Mr. MacLaren"
- Page 67, column 1, question 234, line 4—for "can" read "could", delete "it varied to", for "raise" read "raised"
- Page 67, column 2, question 235, line 1—delete "through any violation" insert "only at the volition"
- Page 67, column 1, question 238, line 5—for "efficiency of" read "deficiency on"
- Page 70, column 1, question 313, line 14—for "respect" read "receipt"
- Page 70, column 2, question 324, line 3—for "additional in" read "in addition to"
- Page 71, column 1, question 325, line 3—after "cash allowance for" insert "scheduled"
- Page 71, column 1, question 326, line 1—delete "scheduled" before "labour running"
- Page 71, column 1, questions 335, line 1—for "33 times" read "33,000 times"
- Page 72, column 2, question 372, line—for "1960 and 1960" read "1960 and 1961"
- Page 72, column 2, question 374, line 5—for "Line 4.49" read "Loan £4.49m."
- Page 72, column 2, question 381, line 3—for "1958" read "1948"
- Page 73, column 1, question 382, line 1—for "Exhibit BJ.16" read "Exhibit PJ.16"
- Page 73, column 1, question 386, line 4—for "1958" read "1948"
- Page 73, column 1, question 390, line 6—for "in the way" read "in that way"
- Page 74, column 1, question 413, line 2—for "1958/60" read "1948/60"
- Page 74, column 1, question 421, line 6—for "had" read "have"
- Page 76, column 2, question 489, line 1—for "1948/59" read "1948/57"

Proceedings Fifth Day—Wednesday, 15th February, 1961

- Page 82, column 2, question 587, line 2—for "circulation" read "calculation"
- Page 84, column 1, question 611, line 5—for "£03m." read "£0.3m."

- Page 85, column 1, question 639, line 4—for "Volume 15" read "Column 15"
- Page 85, column 2, question 666, line 3—for "at" read "to"
- Page 86, column 1, question 673, line 6—after "calculations are" delete "not"
- Page 86, column 1, question 678, line 11—after "£6.2m." insert "in 1960 £6.5m."
- Page 86, column 1, question 682, line 1—for "1961" read "1960"
- Page 87, column 1, question 710, line 7—for "the" read "this"
- Page 87, column 2, question 726, line 2—for "Paragraphs" read "Columns"
- Page 89, column 1, question 754, line 18—for "£3.4m." read "£3.14m."
- Page 93, column 1, question 852, line 8-9—for "half a year's interest on the balance of deficit" read "half a year's interest on the interest on balance of deficit"
- Page 95, column 1, question 899, line 2—for "Page 67" read "Page 56"
- Page 97, column 1, question 954, line 1—before "have" insert "I"

Proceedings Sixth Day—Thursday, 16th February, 1961

- Page 106, column 1, question 993, line 6—for "non-depreciating" read "non-depreciated"
- Page 106, column 2, question 1003, line 5—for "line (e)" read "line (c)"
- Page 110, question 1097, line 4—for "season" read "return"
- Page 112, question 1157, line 4—after "in" insert "plant"
- Page 112, question 1164, line 4—for "roundabout" read "runabout"
- Page 114, question 1216, line 4—before "between" insert "and"
- Page 115, question 1265, last line—before "worries" insert "office"
- Page 116, question 1275, lines 3 and 4—for "Main Lines" read "May level"
- Page 117, question 1319, penultimate line—for "there" read "then"
- Page 117, question 1322, line 2—for "main" read "May"
- Page 119, question 1377, column 2, line 21—after "gained" add "again"
- Page 120, question 1382, column 1, line 9—for "60,000" read "600,000"
- Page 120, question 1394, column 2, line 1—for "£86,900" read "£86,900,000"
- Page 121, question 1406, column 1, line 9—for "examining" read "examining"
- Page 121, question 1412, column 2, line 9—delete "indicates that"
- Page 121, question 1412, column 2, line 10—for "they were induced in" read "were in"
- Page 121, question 1416, column 2, line 11—add "previously" before "trend"

3 March, 1961]

[Continued]

- Page 122, question 1426, column 1, line 2—for "British" read "London"
- Page 122, question 1429, column 1, line 4—after "sorry" add "if"
- Page 123, question 1445, column 1, line 6—after "experience" add ","
- Page 123, question 1446, column 1, line 3—for "26" read "29"
- Page 123, question 1449, column 1, line 12—for "that they" read "that the undertaking"
- Page 124, question 1477, column 2, line 5—for "190" read "134"
- Page 124, question 1480, column 2, line 1—for "known" read "know"
- Page 125, question 1483, column 1, line 3—for "oh" read "on"
- Page 125, question 1487, column 1, line 6—for "there is a" read "there is not a"
- Page 125, question 1490, column 1, line 2—for "It is the view" read "It is our view"
- Page 125, question 1490, column 1, line 5—for "long" read "longer"
- Page 125, question 1495, column 1, line 2—delete "strictly"
- Page 125, question 1496, column 2, line 4—for "£2,128,000" read "£2,129,000"
- Page 125, question 1499, column 2, line 2—for "this" read "that"
- Page 126, question 1520, column 1, line 2—for "status" read "stations"
- Page 126, question 1521, column 1, line 2—for "it has" read "they have"
- Page 126, question 1521, column 1, line 2—for "that much" read "more"
- Proceedings Seventh Day—Friday, 17th February, 1961*
- Page 131, question 1530, column 2, line 3—for "doubt" read "double"
- Page 135, question 1638, column 2, line 2—for "say" read "add"
- Page 135, question 1642, column 2, line 4—for "they" read "you"
- Page 137, question 1671, column 1, last line—for "go to 10d" read "go to 11d."
- Page 137, question 1673, column 1, line 8—for "making that" read "making an"
- Page 138, question 1698, column 1, line 5—for "concede" read "made"
- Page 140, question 1756, column 1, line 5—for "issue" read "question"
- Page 140, question 1760, column 2, line 2—for "£270,000" read "£2,070,000"
- Page 141, question 1774, column 1, line 7—for "small" read "smaller"
- Page 142, question 1784, column 1, line 6—delete "16"
- Page 142, question 1787, column 1, line 11—for "from" read "form"
- Page 143, question 1817, column 2, line 3—for "has" read "have"
- Page 149, Exhibit BH 28, Appendix D, column 11—insert "1% against other fares"
- Proceedings Eighth Day—Monday, 20th February, 1961*
- Page 156, question 1853, column 2, line 1—for "cotemplates" read "contemplates"
- Page 158, question 1887, column 1, last line—for "are into" read "operate in"
- Page 158, question 1894, column 1, line 16—for "one" read "us"
- Page 158, question 1901, column 2, line 2—for "snigle" read "single"
- Page 160, question 1940, column 1, line 20—for "£250,000" read "£280,000"
- Page 160, question 1957, column 2, line 1—for "£1m." read "£0.1m." and for "£2m." read "£0.2m."
- Page 161, question 1974, column 1, line 4—for "irregularly" read "regularity"
- Page 162, question 2000, column 1, lines 1, 2 and 6—for "quantify" read "quantify"
- Page 163, question 2061, column 2, line 3—for "surrounding" read "surrounding"
- Page 163, question 2063, column 2, line 3—for "most" read "much"
- Page 164, question 2087, column 2, line 6—for "railway" read "rolling"
- Page 164, question 2091, column 2, line 6—after "for" add "(Witness)"
- Page 164, question 2091, column 2, line 7—delete "not"
- Page 166, question 2130, column 1, line 3—for "on" read "one"
- Page 166, question 2136, column 2, line 17—for "single" read "mile"
- Page 167, question 2152, column 1, line 5—for "wa" read "we"
- Page 168, question 2178, column 1, line 4—for "movement" read "movements"
- Page 168, question 2190, column 2, line 2—for "stations" read "cases"
- Page 169, question 2216, column 1, line 2—for "HB" read "BH"
- Page 169, question 2229, column 2, line 2—delete "}")
- Page 169, question 2238, column 2, line 2—for "it is" read "there are"
- Page 169, question 2240, column 2, line 4—after "No." add " ; "
- Page 170, question 2266, column 2, line 9—for "River" read "Rover"
- Page 170, question 2268, column 2, line 2—for "inquires" read "inquiries"
- Proceedings Tenth Day—Wednesday, 22nd February, 1961*
- Page 221, column 2, exhibit AE 8—after Item No. 6, for "Miscellaneous Central Charges (VI-5)" read "Miscellaneous Central Charges (IV-5)"

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